

World Bank Official Urges Action on Debt of Poor Nations

Ernest Stern, senior vice president, finance, of the World Bank, discussed debt problems and other issues with Carl Gowitz of the IHT, in Paris.

Q: The World Bank has always prided itself on its special relationship with governments, never having to reschedule outstanding debt. Of late, the number running in arrears has been climbing.

A: Some eight countries are in arrears. With a few exceptions, these are all low-income countries. The most recent addition was Panama, as the result of U.S. economic sanctions. The problems have arisen in countries like Liberia, Zambia and Sierra Leone, whose prospects of working themselves out of their debt problems are very limited. We've argued for many years that some action needs to be taken about the debts of these low-income countries, principally Africa.

Q: Can you envisage the World Bank participating in the proposal by President Mitterrand of France regarding cancellation of debt?

A: No. Not because we don't see the importance. We have been urging this on bilateral donors for a long time. There is an important distinction between what bilateral donors can do with official flows

MONDAY Q&A

and what the World Bank can do. The only source of funds we have is our capital and retained earnings.

Q: What contribution is the World Bank making to finding new solutions?

A: On the debt of the African countries, we have urged a variety of approaches to try to get debt on more favorable terms. For middle-income countries, we continue to be of the view that they have prospects of growing out of the debt problem.

Q: Net disbursements of the bank fell in 1987 from 1986. Why?

A: What you've got is a number of countries which have substantially stopped borrowing. South Korea has a policy of reducing outstanding debt. This is true of Malaysia. Romania has a policy

to eliminate all external debt by the end of next year. A second category is the highly indebted countries, which have had difficulty sustaining adjustment programs. Yugoslavia is in discussions with us on financing a revised adjustment program, but for the last two years lending for adjustment to Yugoslavia simply didn't occur. Third are countries which stopped borrowing a long time ago — Greece, Spain, Japan. Finally, you have to recognize that starting in 1983, after the outbreak of the debt crisis, the bank took major actions to accelerate the repayments, but that also meant that the repayments were pulled forward.

More important than net disbursements is aggregate disbursements in countries where we are still active lenders. For those, our disbursements in fiscal 1987 accelerated substantially and we expect to have maintained that level in fiscal 1988, of about \$11 billion.

Q: An additional problem seems to be the cocktail of currencies in which the bank lends, causing service payments to rise as the dollar fell.

A: The bank has borrowed in essentially six major currencies — the U.S. dollar, sterling, yen, Deutsche mark, Swiss franc and guilder. We try to borrow as cheaply as possible to hold our lending rate as low as possible. We also try to maximize our net income. The effect is that we borrowed a lot of relatively low-interest hard currencies. The dollars and sterling were retained in our investment portfolio. The low-interest currencies were used in the disbursement pool. In addition, as these currencies began to appreciate against the dollar, very little was done to maintain the dollar share of that disbursement pool so that it declined quite substantially to about 12 percent. That meant that in the course of this fiscal year, our borrowers had an exchange adjustment to their payments of about \$1 billion. Clearly, that contributed to payment difficulties and net disbursement calculations.

How we should manage that currency pool is something we are in the process of revisiting with our board. The borrowing program our board has just approved for fiscal 1989 contemplates borrowing a great deal more in dollars. About half of

our planned borrowing will be in dollars.

Q: The dollar's 12-percent portion of the pool currently looks like a bad policy decision.

A: Retrospectively it's always easy to be clever. The declining share had two components: Devaluation drives down the dollar share and that accounted for a substantial part of it. The other part was that we had tended for a number of years to maximize our earnings by keeping dollars and sterling in the investment pool. It allowed us to keep our charges low; it allowed us to take care of provisioning against arrears without raising charges; it helped us maintain our triple-A rating and reduce borrowing costs.

Q: Is the bank advising Chile on covering interest-rate exposure through the financial futures market? Isn't that speculation?

A: That sounds more dramatic than what we're engaged in. We have some people who, at the request of governments, provide technical assistance in the financial area. We don't advise on the transactions or execute them.

15 Killed By Bomb in Hindu Town

KURLKSHETRA, India — At least 15 persons were killed and 25 seriously injured here Sunday when a bomb exploded in the middle of a crowd watching a popular television Hindu epic, police officials said.

The bomb was concealed in a cloth bag and left in a crowd composed mostly of poor Hindu laborers gathered outside a television shop in a market, the police said. They said the bomb apparently was detonated by remote control.

This town, in northern Haryana state, is considered holy by Hindus. The crowd was watching "Ramayana," a series on state-run television about the Hindu god Lord Rama. The program is viewed by an estimated 100 million Indians each week.

In a number of other incidents, seven persons were reported killed Sunday in northern Punjab state by Sikh extremists.

Punjab police said three policemen were killed during the night in two separate attacks. A Sikh farmer was reported slain in central Punjab.

Sikhs also reportedly ambushed a car carrying a militant Hindu leader in Punjab, killing him, his bodyguard and an aide.

The Hindu leader was identified as Rama Kant Jolota, president of the Punjab Shiv Sena, or army of Shiva. The Shiv Sena views itself as a defender of Hindus and their religion.

The Press Trust of India said Mr. Jolota's car was attacked as he was en route to Jalandhar, a district capital 80 kilometers (50 miles) southeast of Amritsar.

Sikh extremists have been waging a guerrilla war for an independent homeland in Punjab since 1982.

The latest killings raised to more than 1,320 the number of people believed killed by radical Sikhs in Punjab since the start of the year. Last year, 1,030 persons died.

Most of the victims have been Hindus or moderate Sikhs opposed to the militants' separatist campaign.



Vishwanath Pratap Singh, left, a former Indian finance and defense minister, receives congratulations after his victory in a by-election.

Leading Gandhi Rival Wins By-election

By Steven R. Weisman
New York Times Service

SRINAGAR, India — A former member of Prime Minister Rajiv Gandhi's cabinet who was dismissed last year has won a crucial parliamentary by-election, making it likely that he will lead the opposition in the next general election.

Results tabulated Saturday from the election on Thursday indicated a sweeping victory by Vishwanath Pratap Singh, a former finance and defense minister. He campaigned almost exclusively on charges that Mr. Gandhi's government had taken kickbacks and should be turned out of office.

Mr. Singh, who was dismissed from the cabinet when he began inquiries into charges of kickbacks, later was expelled from the ruling Congress Party. He also drew away a few of Mr. Gandhi's close allies, including the prime minister's cousin, Arun Nehru.

The prime minister and his aides have denied the charges, but critics assert that a special parliamentary committee that found no basis for them was a whitewash.

Touring the district in the northern Indian city of Allahabad on a motorcycle in the last few weeks, Mr. Singh brought cheers as he repeatedly informed voters: "I told Rajiv Gandhi that there is no justice for me in his royal court, so I sought justice at Allahabad, my home." Mr. Singh grew up in the district.

Mr. Gandhi sought to play down the significance of the defeat at Allahabad, saying that "the ruling party always gets it in its neck" in such special elections.

Allahabad has played a major role in India's political history; three of the country's seven prime ministers have come from there. The three were Jawaharlal Nehru and Indira Gandhi, the grandmother and mother of Rajiv Gandhi, and Lal Bahadur Shastri, who ruled briefly after Mr. Nehru's death in 1964.

The victory by Mr. Singh will allow him to try to forge an alliance among the bickering Indian opposition parties before the next election, which is due before the end of 1989.

The opposition has always had

trouble uniting, and the only time the non-Congress parties governed India, starting in 1977, they fell apart less than three years into office. Their infighting also enabled

Anti-Khomeini Forces Claim Capture of Town

The Associated Press

BAGHDAD — The National Liberation Army, an Iraq-based organization of Iranians opposed to the Ayatollah Ruhollah Khomeini, said its troops captured the Iranian border town of Mehran after heavy fighting Sunday.

Iran appeared to acknowledge the loss, saying that the Iraqi army had "violated an international border" and reached the city of Mehran by employing chemical weapons "on a large scale."

Mehran, virtually deserted since the Gulf War started in September 1980, is about 160 kilometers (100 miles) east of Baghdad.

A press officer at National Liberation Army headquarters in the Iraqi capital told reporters that its forces "liberated" Mehran in an offensive that started Saturday.

The unit's commander, Massoud Rajavi, said the capture of Mehran "is a great victory and a basic step toward the overthrow of Khomeini's oppressive regime."

A report by the official Islamic Republic News Agency, monitored in Moscow, said "a large number of Iranian Muslim combatants were martyred and injured when Iraqi warplanes chemically bombed the Changluh region east of Mehran."

"Earlier in the day, Iraqi warplanes had chemically bombed the town of Mehran," the report said.

■ **New Iraqi Strategy**
Meanwhile, Yusuf Ibrahim of the *New York Times* reported from Paris: "After almost eight years of war in the Gulf, Iraq appears to have settled on a strategy of regaining ground lost to Iran and hitting hard at Iranian economic targets, partic-

ularly oil installations, senior Iraqi officials say.

These goals contrast with what is seen as vacillation in Iran, where the struggle for political power has become entangled with war plans and an attempt to distribute blame for recent battlefield setbacks.

Still, Iranian leaders agree that they cannot stop the war without obtaining their minimum demand: that Iraq be punished for starting it. There appears to be little expectation that the war will end soon.

Iraqi diplomats said the campaign under way since April, in which Iraq has retaken much of the Faw peninsula, has a clear goal: the liberation of Iraqi territory under Iranian occupation.

The Iraqi diplomats said the campaign by Baghdad that followed, which included efforts to push Iranian troops from areas east of the southern city of Basra and to drive the Iranians from Iraqi Kurdish villages in the north, fell within this limited strategic concept.

"The idea is to get back all Iraqi land under Iranian occupation, then to hit them where it hurts most, in their economic and industrial infrastructure," said an Iraqi official. Iraqi and Arab diplomats say they expect Iraq to concentrate next on recapturing parts of the *Majnoon oil fields, on the border.*

Vahé Petrossian, a specialist on Iranian affairs with the Middle East Economic Digest, a weekly magazine based in London, said the psychological impact of the Iraqi victories has been great within the leadership in Iran.

"It looked like the tide of war has turned and Iran faced either defeat or indefinite fighting," he wrote in the current issue.

Iran Expects Better Ties With Britain

NICOSIA — A Tehran official said Sunday that Iran's relations with Britain were improving and that a visit this week by four members of Parliament would help the process. The four are trying to win release of three Britons believed held by pro-Iranians in Lebanon.

The Iranian News Agency quoted Deputy Foreign Minister Mohammed Javed Larjani as having said that relations improved after Britain took a "logical and moderate" stance over allegations of Iraqi use of chemical weapons.

Iran accused Iraq of using gas warfare in the Habshin area of northeastern Iraq to kill 5,000 Kurds in March. British government officials expressed concern over the reports to the Iraqi ambassador in London.

■ **Church Sponsors Trip**
Karen DeYoung of The Washington Post reported earlier from London.

The Church of England announced that four members of Parliament would fly to Tehran under its auspices Sunday for talks with officials that it hopes will lead to "improved relations" and possible progress in freeing three British hostages believed held in Lebanon.

One of the three hostages is Terry Waite, the church envoy who disappeared in January 1987 while on a mission to negotiate for the freedom of other Westerners being held hostages in Beirut.

The visit, by two members of Britain's Conservative Party, one Laborite and one Liberal, follows several days of talks in Tehran this week between Iranian officials and John Little, a senior aide to the archbishop of Canterbury, Robert Runcie.

The British Foreign Office said Friday night that it was aware of the planned trip but would not comment further.

An aide to the archbishop, Eve Keatley, said that the parliamentary group "is not going to negotiate for the return of hostages. It is a fact-finding mission to find ways to improve relations with Iran which could lead to the freeing of Terry Waite and the other British hostages. We have repeatedly made it clear we are not prepared to be party to any deal which would indicate in any way that hostage-taking pays dividends."

The two other hostages are John McCarthy, a television journalist, and Brian Keenan, a university lecturer from Belfast who also holds Irish citizenship.

Britain has been criticized for its strong stand against hostage negotiations. On Tuesday, in a meeting in London organized by a support group for Mr. McCarthy, a French French host, Jean-Paul Kauffmann, called on Britain to keep open a dialogue with Iran.

Last week, Britain held its first formal talks with Iran since the two governments reduced their embassies to one diplomat each last year.

British officials denied that the talks touched on the hostages, but there was private acknowledgment that the meeting could be the first step toward warmer relations between the two governments.

WORLD BRIEFS

Pretoria-Luanda Talks to Resume

JOHANNESBURG (Reuters) — Angolan peace talks, threatened by a Cuban military buildup and wrangling over the venue, are to resume in Cairo this week, South Africa announced Sunday. A spokeswoman said Foreign Minister R.F. Botha would meet South Africa's Angolan and Cuban adversaries for two or three days of negotiations, probably starting Thursday.

Pretoria made clear it would press for an explanation for the recent deployment of thousands of Cuban troops on Angola's tense border with South-West Africa, or Namibia, which is administered by South Africa. "It will be a big issue," a diplomatic source close to the talks said.

The United States also will attend the talks on ending 13 years of bush war between Angola's Marxist government and the rebel army of the National Union for the Total Liberation of Angola, which is backed by South Africa and led by Jonas Savimbi. The talks, also aimed at achieving independence for South-West Africa, began in London last month. A second round was held in the Congo capital, Brazzaville.

Tutu Praises Russians on Apartheid

JOHANNESBURG (NYT) — Archbishop Desmond M. Tutu, the Anglican primate of Southern Africa, has described the Soviet Union as an ally in an international campaign to end apartheid in South Africa, and he said Moscow had no selfish interest in southern Africa.

The archbishop spoke to reporters Sunday on the grounds of his Soweto home after returning from his first visit to the Soviet Union, where he took part in the 1,000th anniversary celebrations of the Russian Orthodox Church. He said he was not prepared to withdraw remarks he made in Moscow thanking the Soviet people for moral and humanitarian support in the struggle against apartheid.

The pro-government press in South Africa denounced Archbishop Tutu for having praised the Soviet Union while ignoring its long hostility to religion and oppression of the church.

Singapore to Detain 4 Another Year

SINGAPORE (AP) — Singapore announced Sunday that it would extend by a year the detention of four persons who the government says were involved in a Marxist conspiracy.

The Home Affairs Ministry said Teo Soh Lung, Kevin De Souza, Kenneth Tsang Chi Sang and Wong Souk Yee would be detained another year, beginning Monday, under the Internal Security Act. It allows the government to detain people without trial for up to two years, after which detention may be extended indefinitely.

The four were arrested in May and June of 1987 and accused of conspiracy to undermine Singapore's government. Released in a few months, they were among nine former prisoners who issued a statement April 18 saying that the government had forced them to confess. All were detained again the next day.

Libya Boosts Its Investment in China

BEIJING (AFP) — Libya became China's fourth-largest source of foreign investment, pouring the equivalent of \$143 million into the country in the first quarter of the year, the China Daily's weekly business supplement reported Sunday.

The English-language newspaper said that investment by Libya and West Germany had increased in the first quarter relative to that of other foreign countries and "regions" — a euphemism in China for Hong Kong and Macao. Hong Kong, it said, provided \$599.26 million in investments; followed by the United States, \$41.93 million; and Japan, \$41.66 million. West Germany was fifth at \$11.01 million.

The paper did not provide figures on the total of Libyan investment, nor did it say what Libyans were investing in. Libya in recent years has received Chinese expatriate laborers and is also thought by the United States to be purchasing Chinese weapons.

Aquino Returns With Pledges of Aid

MANILA (AFP) — President Corason C. Aquino arrived from a weeklong European tour that she said had led to pledges of investments and official offers to help improve the Philippines economy.

Mrs. Aquino told welcoming at the airport that her trip to Switzerland, Italy and the Vatican had "equaled if not surpassed my expectations." She said Italian and Swiss leaders had "readily volunteered to help" the Philippine economy, while businessmen had pledged to send missions to explore investments. "We signed nine agreements in Italy and this augurs well for the future of our relations," she added.

TRAVEL UPDATE

Air Inter Faces a Week of Strikes

PARIS (AFP) — Air Inter, the French domestic airline, faces another week of strikes by pilots and flight engineers, including a 48-hour strike on Wednesday and Thursday that is expected to cause serious disruptions in service.

In addition, two pilots' unions and the flight engineers' union have called daily strikes Monday through Sunday, from midnight to 8 A.M. The unions are demanding the resignation of the Air Inter chairman, Pierre Eleste. They say he is refusing to negotiate in a long-standing dispute over the company's decision to fly its Airbus A-320 planes with two instead of three crew members in the cockpit.

Group to Offer Islamic Airline Food

KUWAIT (AP) — The national airlines of three Arab states are working out a joint venture with Marriott Corp. to set up an Islamic flight kitchen at London's Heathrow airport, an airline official said.

The airlines involved in the agreement are Kuwait Airways Corp., Saudia of Saudi Arabia and Gulf Air, based in Bahrain. The agreement is aimed at providing in-flight food worldwide for Moslem passengers, who are not supposed to eat pork. Moslems also are supposed to eat meat or poultry only if slaughtered under strict religious guidelines.

Cyprus has tightened controls on visitors from the Middle East, Asia and Africa following a car bombing last month that killed three people. Visitors from those areas will need visas before traveling to the holiday island, officials said.

The Federal Aviation Administration has refused to review a limit of 155 flights per hour at O'Hare International Airport despite concerns by the head of the National Transportation Safety Board that the cap may be too high. (UPI)

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:
MONDAY: Argentina, Bermuda.
TUESDAY: Togo.
WEDNESDAY: Colombia, South Yemen.
THURSDAY: Luxembourg.
FRIDAY: Andorra, Brazil, Canada, Finland, Macao, Peru, Portugal, Spain, Sweden, Venezuela, Zaire.
SATURDAY: Finland, Mozambique, Sweden.
SUNDAY: Iran, Madagascar, Somalia.

Source: Morgan Guaranty Trust Co. Reuters.

Afghan Rebels Name a Transitional Government

By Jonathan C. Randal
Washington Post Service

ISLAMABAD, Pakistan — The seven-member alliance of Afghan anti-Communist guerrilla groups named on Sunday a long-delayed transitional government designed to replace the Soviet-backed Kabul government headed by Major General Najib.

No prominent alliance leaders were among the two vice presidents

and 11 ministers representing various alliance organizations who were named at a news conference in the western Pakistani city of Peshawar, where the alliance is based.

The Planning Ministry was awarded to Abdul Ali Farouqi, a nonparty Afghan exile living in the United States.

The list was announced by Ahmad Shah, who for more than three months has been the leader and only member of the transitional government. Pakistan once had hoped that the government would play a role in the negotiations in Geneva that produced the agreement under which the Soviets began withdrawing their 115,000 troops on May 15.

Diplomats and analysts had all but written off the transitional government last week when its principal Afghan proponent, Gulbuddin Hekmatyar, a radical Islamic fundamentalist, gave up the rotating leadership of the alliance after a

three-month stint without announcing its makeup.

Many moderate Afghan guerrilla leaders, as well as rebel field commanders inside Afghanistan, have made it clear they thought the transitional government was irrelevant. In private, the leaders admit their failure to agree on who should govern if the guerrillas succeed in overthrowing General Najib.

The alliance announcement followed by a day Kabul's own unveiling of a 29-member government dominated by the communist Peoples Democratic Party of Afghanistan. The list, including some non-communists, was the latest in a series of Soviet-inspired reshuffles by the so far unsuccessful 18-month-old policy of national reconciliation.

In the alliance government, 14 portfolios are to be reserved for "Moslems in good standing" inside

Afghanistan. This is taken to mean non-communist Afghans.

Experts Split on Outlook

Robert Pear of the *New York Times* reported earlier from Washington:

The State Department's leading expert on Afghanistan says that the Kabul government is crumbling quickly and will not survive after Soviet troops complete their withdrawal early next year. But some other experts on Afghanistan say the Soviet-backed government can last longer.

The guerrillas have been capturing territory much more rapidly and extensively than had been anticipated, the department's Afghan policy coordinator, Zalmay Khalilzad, said.

The key question for the Kabul government, Mr. Khalilzad said in an interview, is "not whether it will survive, but when it will fall." He added, "The Najibullah re-

gime appears to be crumbling faster even than those who were most optimistic about prospects for the mujahidin had anticipated."

But another administration official said he believed that the Soviets were consolidating their positions in and around cities as they withdrew from outposts and other small places in the countryside.

Rosanne Klass, the director of the Afghanistan program at Freedom House, in New York, which monitors political and civil rights around the world, said, "I do not think the Kabul regime will speedily collapse."

"There are thousands of Soviet military and other advisers in Afghanistan, and they are not leaving," she said. "Soviet soldiers from Central Asia, such as Uzbek and Tajik, have been infiltrated into the Afghan Army and cannot be distinguished from Afghan soldiers with similar ethnic origin."

EBEL
The Architects of Time

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Autumn
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"After almost eight years of war in the Gulf, Iraq appears to have settled on a strategy of regaining ground lost to Iran and hitting hard at Iranian economic targets, partic-

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Weinberger Policies May Have Cleared Way for Pentagon Scandals

By George C. Wilson
Washington Post Service

WASHINGTON — During the seven years Caspar W. Weinberger presided over the entire U.S. military establishment, the way weapons makers did business with the Pentagon changed.

The changes, according to critics in the industry and among those who have worked in the Pentagon, improved the way the military business is done. Department of Defense officials say the changes of Mr. Weinberger's former deputy, the Pentagon said, are the result of his policy. "This is Cap's

deputy explained that Mr. Weinberger to subsidize the details of the \$2 billion he raised between 1981 and 1987.

Supporting Mr. Weinberger's reputation, Pentagon careerists said, was a lack of experience in the realm

of defense contracting, and his decision to distance himself from defense contractors, leaving most dealings with them to others.

The man who dealt with them most visibly in the Weinberger era was John P. Lehman Jr., his activist secretary of defense, several of whose associates have been implicated in the burgeoning investigation of contracting fraud.

Mr. Weinberger's immediate predecessor, Harold Brown, was a nuclear physicist who had dealt with the defense industry as director of Pentagon research and as air force secretary before becoming secretary of defense. Melvin R. Laird, President Richard Nixon's secretary of defense, armed himself with industrialist David Packard of Hewlett-Packard, a large defense contractor;

Robert S. McNamara, former president of Ford Motor Co., recruited experienced managers from industry.

In contrast, Mr. Weinberger stiff-armed White House attempts to give him a deputy from the defense industry and installed instead trusted deputies from his previous government jobs, starting with Frank C. Carucci, deputy secretary of defense in 1981-82, and William H. Taft IV from 1982 onward. Only for one year did the White House get its way, naming Paul W. Thayer, the former president of LTV Aerospace Corp., as Mr. Weinberger's deputy. Mr. Thayer had just started to grapple with procurement problems in 1984 when he had to resign in disgrace, later going to jail for insider stock trading.

As part of the price for getting Mr. Carucci and Mr. Taft as deputies, men whom were not considered ideologically

pure by some conservatives, Mr. Weinberger accepted other men in policy and management positions who were long on ideology and short on management skills.

They included: Fred C. Iklé, a hawkish sociologist, who became under secretary of defense for policy; Richard N. Perle, a hardliner and former Senate aide, as assistant secretary of defense for international security policy; and T. K. Jones, deputy under secretary for strategic and nuclear forces, who became famous for his prescription for surviving a nuclear war: "Dig a hole, cover it with a couple of doors and then throw three feet of dirt on top."

Mr. Lehman rushed into this vacuum. He was in the ways of the defense consulting business from running such a firm himself, the Abington Corp. In office, he seized the initiative, quickly ex-

ceeding the old job description of a service secretary. He did not wait for orders from above but issued them to admirals, navy agency heads and defense contractors. He was brash, dramatic and imperious. He appreciated those who qualified in others and found them in Melvin R. Paisley, a colorful F-47 pilot from World War II.

Mr. Lehman got to know Mr. Paisley while doing consulting work for Mr. Paisley's company, the Boeing Co.

After he became navy secretary in 1981, Mr. Lehman brought Mr. Paisley aboard to help decide which weapons should be built, and by whom. Pentagon careerists and industry executives soon complained that Mr. Paisley did not seem to have the technical expertise to handle this job of assistant secretary of the navy for research, engineering and systems, and relied on bluster and his

support from Mr. Lehman to compensate.

In his biography submitted to "Who's Who in America," Mr. Paisley said he had graduated from the Massachusetts Institute of Technology with a master's degree in 1954. A spokesman for MIT said in an interview that Mr. Paisley went to MIT for one semester in 1953 and received no degree. Mr. Paisley's navy biography says he "is credited with shooting down nine enemy aircraft" in World War II. The air force says Mr. Paisley is credited with four kills and two half kills.

Whatever their credentials, Mr. Lehman and Mr. Paisley proceeded to design the navy of the future and decide what companies would build it — with little or no direction from the office of the secretary of defense.

Lehman enthusiasts inside the navy

and within the defense industry credit him with being a "take charge guy" who came close to achieving his goal of a modern, 600-ship navy without running up the cost overruns that had plagued previous administrations.

To get navy contracts, defense executives came to realize that they had to win the approval of Mr. Lehman, Mr. Paisley and a few others on their team. This unusually heavy concentration of power within the navy secretariat created an unusually lucrative market for consultants who could provide access to the key people on Mr. Lehman's team.

"We had nobody knowledgeable to talk to," complained one defense executive of the Weinberger era. "It got to the point where we had to hire consultants to get appointments with the people we should have been able to see on our own."

NEWS ANALYSIS

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Midwest Drought: Is More on the Way?

By Walter Sullivan
New York Times Service

NEW YORK — Weather specialists studying the drought in the Middle West this year have determined why it occurred. But they are concerned that it might be a harbinger of things to come, perhaps evidence of basic changes in climate brought about by the "greenhouse effect."

For months, a great wall of high-pressure air over the central United States has prevented storms bearing rain and snow from penetrating that region, according to specialists of the National Weather Service. The high pressure was locked in place by a jet stream far north of its normal position.

As a result, the agency said on Friday, precipitation has been abnormally low in the Northeast and the Northwest even as the Middle West has suffered.

There is concern that the resulting drought might offer a glimpse into what Alan D. Hecht, the director of the National Climate Program Office in Rockville, Maryland, called "the greenhouse world" of the future.

Is the drought, he asked, "the kind of thing we see more of?"

A number of weather specialists have been searching for signs that

world climate is changing as a result of warming caused by carbon dioxide from the burning of fuel. This is the much-discussed greenhouse effect.

With the information now available, Mr. Hecht said, an obvious relationship is still uncertain.

Mr. Hecht, whose office is part of the National Oceanic and Atmospheric Administration, said he hoped Charles W. Stockton at the University of Arizona could determine from the widths of annual tree rings in much of the West, whether droughts in the last three centuries had been as prolonged and widespread as this one.

Not since the dust storm period of the 1930s, Mr. Hecht said, has a drought been so extensive. He would like to know how exceptional this one is.

Annual rings in trees growing in the region over the last 300 years have been analyzed at Mr. Stockton's Laboratory of Tree-Ring Research at the University of Arizona. Researchers are trying to find out whether occurrences of narrow rings, indicating drought, conform to a 22-year cycle of solar activity. The results have been inconclusive.

David Miskus of the Analysis and Information branch of the National Weather Service said that

from December to February a high pressure region off the West Coast had kept storms away, leading to low precipitation there.

The high pressure wall then moved east to its present position over the central states.

In winter and spring, according to Donald Gilman, a long-range forecaster with the Weather Service, the jet stream normally heads East after crossing California, carrying storms over the Middle West. This year, however, the jet stream has split, Mr. Gilman said. The main branch has swung north across Oregon. Near Hudson Bay it has curved southeast across New Hampshire and has joined the less-

er branch over the Atlantic Ocean after the latter has crossed northern Mexico and Florida.

The drought now affects most of the Mississippi-Missouri drainage systems, reaching from Canada to the Gulf of Mexico.



dust stirs up dust while working his field during a drought that has spread across Midwestern America.

AMERICAN TOPICS

California Trend: Lingering Ladder Up

has been many years since Americans who headed to Kern County have found spoiled promised land of oranges and avocados, fans and the comfortable Robert Reinhold writes in New York Times. They contended instead with and freeway traffic jams, insisting that growth is maligned good."

Today even the most bitten Southern California says that the place has become a vast basin of clogged, overburdened sewers high-rides that are turning lenient suburbs into cities.

As result, he writes, is a fearful slow-the-growth sentiment by people whose is to gain control of forces they see threatening their "life."

the fading of the California n that drew the migrants is the inevitable result of ting both a quiet existence in urban psyche."

redictions of further un- tled growth have fanned intent and frustration. temporary moratoriums apartment construction already been imposed in al Los Angeles suburbs. the city itself, new con- tion is restricted. This h, voters in 26 communi- st their ballots on growth nduma. Seven of the 13 growth measures passed; lines of the 13 pro-growth res did.

Shorter Takes: U.S. supermarkets are now half again as large as 10 years ago, U.S. News & World Report magazine says, and stock twice as many separate items: an average 11,767 in 1978, 24,531 now. Gourmet and microwave foods are largely the reason, @ Paradise Valley, Arizona, claiming to be the first U.S. community to use a device that photographs speeders' cars and license plates, says traffic accidents have dropped 43 percent since it went into use.

Notes About People

Though the National Aeronautics and Space Administration continues to study the possibility of a manned mission to Mars, President Ronald Reagan recently told journalists at the White House, "We've already sent a craft to Mars, as you know, in the past," which has "taken some pictures that make you wonder why anyone would want to go there."

Verbal Contrary

"As anyone who has been can tell you, children have a certain strange contrary streak," writes Anna Quindlen, 35, a mother of two and author of the "Life in the 30's" column of The New York Times. "Nowhere is this more evident than in their ability to put you on the spot when you least expect it and are not dressed for it. If you are having an hour of quiet and introspective time with your little boy, reading with him on the couch and discussing this and that — as will happen perhaps every eight or nine years — his most probing question is likely to be, 'But how come I can't have chocolate chip cookies for breakfast?'"

It is when you have just dropped a dozen eggs in the dairy aisle of the supermarket that suddenly a small voice will say: "Mom, do all people die? Will you die? Will Dad die? Will I die? Luckily I've already answered those questions, and luckily I was merely in bumper-to-bumper traffic on Route 80 trying to change lanes to get around the stalled tractor-trailer when, from the back seat, I heard the dreaded words, 'Mom, how does a baby get out of a mother's body?'"

Environmentalists have doubts, Robert Alvarez of Environmental Policy Institute says that the cement is to breakdown. The waste gases heat, he notes, and if it is released into contact groundwater it could program that would eat away glass.

Those canonized were 96 Vietnamese priests and laity, and 11 Spanish and 10 French missionaries. Vietnam has contended that many of the martyrs were imperialists and has criticized the timing of the canonization, which was on the Armed Forces Day of the defeated South Vietnam government.

Canonizes Vietnam Martyrs

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Haiti President Dismisses Armed Forces Leader

By Joseph B. Treaster
New York Times Service

PORT-AU-PRINCE, Haiti — Relatives of the dismissed armed forces commander say he has been placed under house arrest at his walled residence north of here.

The relatives said Saturday that soldiers loyal to an opposing commander had surrounded the home of Lieutenant-General Henri Namphy, who was abruptly dismissed Friday night by Haiti's civilian president, Leslie F. Manigat. They said the soldiers were telling friends and family members that no one could go in and General Namphy could not come out.

Roger Savain, the minister of information and Mr. Manigat's chief spokesman, said he did not know whether General Namphy, 55, was under house arrest. But Mr. Savain said General Namphy's "nominal guard" had been removed and that "he has a new one and that's all."

Aides to Mr. Manigat said his

assertion of civilian authority over the military was evidence of progress toward democracy. But U.S. and other foreign diplomats said it was unclear whether it involved anything more than a power struggle.

When word of the dismissal was broadcast over local radio stations Friday night, the streets of the capital quickly emptied as Haitians, fearful of being caught up in violence, hurried to the security of their homes.

General Namphy's dismissal was the latest development in a conflict that first came to light Tuesday. The widespread impression is that Mr. Manigat has greatly extended his political power since being elected in February.

Many details of the struggle are still unclear, and there is speculation over the degree to which Mr. Manigat controls or depends upon two key army officers.

One is Colonel Jean-Claude

Paul, who has been the most apparent beneficiary of the recent events. The other key officer is Major General Williams Regala, who served as General Namphy's deputy in the army-dominated provisional government that ruled Haiti after the fall of the Duvalier dictatorship in early 1986.

General Regala is now on leave

and is serving as minister of defense. He acted as an intermediary in talks with General Namphy last week and, along with the president and the prime minister, signed the dismissal order.

Colonel Paul was indicted in March by a federal grand jury in Miami in a conspiracy to smuggle cocaine.

Miguel Pinero Is Dead at 41; playwright Got Start in Jail

By Leslie Bennetts
New York Times Service

NEW YORK — Miguel Pinero, 41, who began his first play in prison and went on to be acclaimed as a major new voice in the theater 15 years ago, died Friday of cirrhosis of the liver.

Mr. Pinero, who was born in Puerto Rico and grew up on Manhattan's Lower East Side, started to write for the theater while serving a sentence for armed robbery at Ossining Correctional Facility, also known as Sing Sing. The result was "Short Eyes," a portrayal of violent prison life, which opened at the Theater of the Riverside Church, was transferred to the Public Theater by Joseph Papp, and then ran at the Vivian Beaumont Theater in Lincoln Center. The play, which won an Obie Award and the New York Drama Critics Circle Award as best American play in 1974, was later made into a film.

"Miguel Pinero was the first Puerto Rican to really break through and be accepted as a major writer for the stage," Mr. Papp said.

Mr. Pinero's other works for the theater included "Straight From the Ghetto," "Entony for a Small-Town Thief," "The Sun Always Shines from the Cool" and "A Midnight Moon at the Greasy Spoon."

John A. Reardon, 70, managing director and chairman of Esso Standard Thailand 1963-73 and previously with Esso in China and the Philippines, of pneumonia June 10 in Rutland, Vermont.

Cleo Hartwig, 80, a sculptor whose works featuring animals, birds and other natural subjects were inspired by her childhood in rural Michigan, of cancer of the pancreas Saturday in New York.

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Jean Viasu	-\$7,789,787.60
Carrie and Derek Stockley	-\$7,059,893.70
Doug and Lorraine Clark	-\$7,059,893.70

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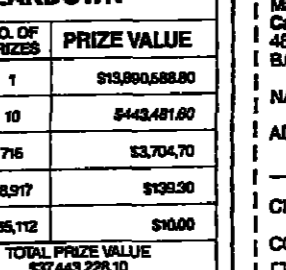
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PRIZES	NO. OF PRIZES	PRIZE VALUE
1ST PRIZE (6 OUT OF 6 NUMBERS)	1	\$13,890,588.80
2ND PRIZE (5 OUT OF 6 PLUS BONUS)	10	\$443,481.60
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4TH PRIZE (4 OUT OF 6)	48,917	\$132.90
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Ozal Plot Linked to Ultraright Police in Turkey Capture Gunman

ANKARA — Investigations into an attempt to assassinate Prime Minister Turgut Ozal of Turkey are centering on possible links with an ultrarightist group active before the 1980 military coup, security sources said on Sunday. Mr. Ozal was shot in the hand as he was addressing 5,000 members of his ruling Motherland Party and foreign diplomats in Ankara on Saturday. A second bullet missed him.



His wounded right hand in a sling, Prime Minister Turgut Ozal of Turkey attends a meeting of the Motherland Party in Ankara.

Officials said 15 other persons were wounded as the police returned the assailant's fire. "Police fired at random," said a former prime minister, Bulent Ecevit. The police said they had shot and disarmed Kartal Demirag, a Turk who belongs to the Grey Wolves group, which was blamed for many political killings in the late 1970s.

Mr. Demirag, 32, will probably appear in court within two weeks, the prosecutor added. Newspapers reported that Mr. Demirag had confessed, saying, "I have psychological problems. I did not shoot to kill but fired to get killed."

With his right arm in a sling, Mr. Ozal was cheered when he returned on Sunday. Some delegates called for the resignation of Interior Minister Mustafa Kalemli because of what they denounced as poor security at the congress.

Dukakis Aide Assures Europe on Arms

By Joseph Fitchett International Herald Tribune PARIS — Governor Michael S. Dukakis's principal security adviser, Joseph S. Nye Jr., has told a diplomatic audience in Paris that there will be "no more loose talk about getting rid of nuclear weapons" from the United States if Mr. Dukakis is elected president. Speaking at the French Institute for International Relations, Mr. Nye said that there should be "no free gift" for Mikhail S. Gorbachev, the Soviet leader, on disarmament. Many listeners said they were surprised and gratified by the extent to which Mr. Nye stressed that Mr. Dukakis's intentions overlapped those of the former policies of the Reagan administration.

Mr. Dukakis's top priority of maintaining the Western alliance, Mr. Nye said Friday, showed that he would not repeat what Mr. Nye called President Jimmy Carter's mistake of putting North-South relations ahead of East-West issues. In seeking to maintain a military balance, Mr. Nye continued, it would be "foolish" to encourage Japan to exceed its limits on defense spending because a remilitarized Japan would alarm many Asian nations. Charging that President Ronald Reagan had undermined Western acceptance of nuclear deterrence, Mr. Nye said that a Dukakis administration would consult closely with its allies about a new mix of nuclear and conventional forces to defend Western Europe. "No more Reykjavik," he said, referring to the political shock in Western Europe after Mr. Reagan nearly agreed, without consulting European governments, to a Gorbachev plan to eliminate nuclear weapons, at the Iceland summit meeting in 1986. But Mr. Nye praised the Reagan administration's 1986 bombing raid on Libya and the use of naval forces to escort oil tankers in the Gulf as "reasonable, prudent use" of U.S. military strength.

Mr. Nye, who served as a deputy undersecretary of state in the Carter administration, said that Mr. Dukakis was better qualified than Mr. Carter because he could "see the big picture" and "hold his own agenda." And, he continued, unlike Mr. Reagan or Mr. Carter, Mr. Dukakis is "not running as an outsider" seeking to change the main thrust of U.S. foreign policy. Elaborating on Mr. Dukakis's policies, Mr. Nye said that: Soviet behavior on human rights issues would be an important element in deciding about possible East-West coexistence at lower, less-costly levels of armaments; Research on a Strategic Defense Initiative would continue, without the Reagan administration's emphasis on early deployment; A break could be expected on U.S. policy toward South Africa because the Democratic Party, which believed that apartheid has become a domestic issue in U.S. policy, wanted a tougher approach; U.S. troops would remain in Europe, but they might be reduced if the allies agreed to a plan that kept West Germany solidly embedded in Western security systems. Mr. Nye's trip to Europe was apparently tied to a foreign policy speech by Mr. Dukakis last week, shortly after he clinched the Democratic nomination.

SUMMIT: Aid to African Debtor Nations Is Stressed at Toronto Meeting

(Continued from page 1) The Japanese prime minister, and Brian Mulroney, the Canadian prime minister, on Saturday night, was intended to highlight Japan's wider efforts to increase aid to developing countries, Japanese officials said. In the years from 1988 to 1992 Japan will waive all payments of capital and interest on \$5.5 billion in loans to 17 least-developed countries extended between April 1978 and March this year. The beneficiaries are mainly in sub-Saharan Africa, but also include Asian countries such as Bangladesh and Burma, said Michihiko Kunitomo, chief counselor for external affairs to Mr. Takeshita. The \$1 billion cost to Japan would be paid out the \$50 billion in

official aid that the country intends to spend over the coming five years in a doubling of its aid effort, he said. Mr. Kunitomo also called on Japan's summit partners to agree that there was an urgent need to increase economic aid to the Philippines to strengthen the position of President Corason Aquino. At this "very crucial moment in the democratization process" it is important that the Aquino government be backed by all seven countries, not just the United States and Japan, he said. As for the global economy, Mr. Kunitomo said that he "did not have a very acute sense that inflationary pressure is very strong worldwide." Fears of a resurgence of inflation, and higher interest rates, have

emerged in financial markets in recent days, clouding the general optimism that the seven leaders have been hoping to convey in Toronto. But the leaders are unlikely to let such fears dominate a meeting which is primarily intended to convince financial markets that the world economy is on the right track, conference officials said. Mr. Lawson, who expressed concern about rising inflation in the United States at the OECD ministerial meeting in Paris last month, came to Toronto with a somewhat calmer assessment. His view, according to British officials, is that the world economy is in pretty good shape and not facing any great danger of inflation or recession. If there was a risk, however, it

would be "on the inflation side," meaning that particular anti-inflationary vigilance is still required. Irishman Arrested Amid concern about an Irish Republican Army attack on Prime Minister Thatcher at the economic summit meeting, British officials said Sunday that an Irishman arrested by Canadian police was wanted by Northern Ireland police. The Associated Press reported from Toronto. A spokesman for Mrs. Thatcher said Michael Derek Collins, arrested Saturday for overstaying a one-month visitor's visa, was being sought by the Royal Ulster Constabulary, the British police force in Northern Ireland.

Many Voters In Poland Turn Backs On Election

By Jackson Diehl Washington Post Staff Writer WARSAW — A national election for local governments on Sunday, intended by General Wojciech Jaruzelski as a showpiece of political liberalization, ended with a rout back as officials predicted the lowest voter turnout in the country since the war. The government spokesman, Jerzy Urban, said that based on opinion polls and turnout to Tuesday among the country's 26 million eligible voters, the authorities believed fewer Poles would vote in the elections for councils that govern municipalities and provinces than in either the last such elections, in 1984, or last November in a referendum on economic reform, which recorded a record low turnout rate of 67 percent. Urban blamed the low turnout on public frustration with the country's poor economic situation and stalled reform program. The voting came six weeks after a wave of strikes swept the country and after the Solidarity trade union urged a boycott of the vote. The public showing was particularly jarring for the authorities because it followed a series of modest reforms in the election law and changes in the Constitution giving local officials more money, power and autonomy. For the first time since 1947, some of the posts up for election were contested by candidates from different political parties. Government spokesmen deplored the changes as an important step of democratization. But official opinion polls showed that Poles were unimpressed. One survey published in the official weekly Polityka this week showed that only 3 percent of the public believed that the council had any significant power.

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AIR: Aging U.S. Airports Are Near Paralysis as Planes Crowd the Tarmacs

(Continued from page 1) fields, even on the 50 that handle 80 percent of the passengers. Since 1974, when the new Dallas-Fort Worth Airport opened, the annual number of American air travelers has more than doubled, to 447.3 million, as have the number of miles they pay to fly, to 404.8 billion. Yet in that same period not one major airport has been built in the United States. The next airfield, a mammoth \$1.3 billion array of runways, terminals, trains and more than 200 gates sprawling over 44 square miles (113 square kilometers) of high prairie 18 miles northeast of Denver, will not open before the mid-1990s, if ever. After years of campaigning and negotiating, voters there in Adams County last month approved an annexing the land to Denver. But many planning and financing hurdles remain, and local opponents, while acknowledging the need, vow to oppose the site. Mr. McArthur and others call this the NIMBY syndrome (Not In My Back Yard), which has occasionally hindered plans for any number of projects: landfills, prisons, power plants and — because of noise and traffic, both land and airborne — airports as well. But unlike action on many such projects, each decision, or non-decision, about an airport affects the nation's larger system. "It's like having an interstate highway system," said Mr. McArthur, "but every interchange is controlled by a different local community." This is a part of the complex aviation problem that has emerged largely because of the deregulation of the airlines in 1978. Deregulation and the resulting intense competition and lowered fares produced an explosion in air travel, from 240.3 million passengers in 1977 to 316.7 million just two years later. A total of 800 million annual passengers are forecast by 1990. Today, almost 8 of every 10 Americans have flown, according

to the FAA. Before deregulation, fewer than half had flown. To handle this increase efficiently and profitably, airlines have established a system of hubs and spokes. To reach Austin, Texas, for example, a resident of Akron, Ohio, may first fly to Chicago, then to Dallas, and then to Austin. This helps an airline concentrate Chicago-bound passengers, Dallas-bound passengers and Austin-bound passengers and to minimize empty seats on all three flights. But it also means that one person must be handled by four airports. Not long ago, the land on which most of these airports now sit was rural. Stapleton at Denver was sagebrush. Lindbergh at San Diego was tidal mud flats. O'Hare at Chicago was an orchard (the ORD designation on luggage tags and navigation maps). Back then, at San Diego, for example, no one envisioned that fuel-laden jets that would need more than two miles of runway to get into air and fly across the Pacific. So San Diego's lone runway is too short for such takeoffs. At many older fields, runways were laid out so planes could land or take off into a headwind, avoiding dangerous crosswinds. Jets can land or take off in crosswinds but the old runways cross each other, making one in effect useless. Meanwhile, with the rural isolation long gone, local antagonism has grown along with the surrounding populations. At Chicago, for instance, Midway and O'Hare are surrounded now by businesses, schools and homes, and many of the airports' neighbors campaign fiercely against prevailing noise let alone any expansion. Airports these days are frequently self-contained communities. They have their own shopping malls, hot dog stands, bakeries, barber shops, churches and health clinics, their own hotels, bus fleets and radio stations, their own crime rates, police forces and groups of homeless who migrate between terminals ahead of security patrols. Last year, O'Hare travelers consumed nearly 2.5 million hot dogs and the parking concession had in-

PENTAGON: Scandal's Origin

(Continued from page 1) with material useful to military contractors. That single operation led investigators to an interlocking network of consultants and a far-reaching fraud case that is shaking the multi-billion-dollar military-industrial complex to its foundations. Investigators have not disclosed the names of the former navy employee or the consultant who began cooperating in the investigation. If the allegations in the inquiry are confirmed, it would appear that the bidding system for awarding some military contracts was corrupted into an underground economy in which consultants trafficked in information about military contracts. While federal officials remained reluctant to discuss in detail what was dubbed "Operation III Wind," they made these points about its origins and scope in interviews last week: About 20 people in the Defense Department, mainly employed by the marine corps and navy, are being investigated in connection with providing inside information to consultants, who, in turn, gave it to various military contractors. Some officials were reported to have received money. Others were offered jobs after they left the Pentagon. A few gave the information simply out of friendship. For the first time in a military procurement case, the inquiry made extensive use of court-authorized wiretaps. They were manned 24 hours a day by agents from the Naval Investigative Service and the FBI. Investigators have evidence that some of the executives at military contractors were aware that valuable information had been obtained through payments to Pentagon officials. Although more than 100 federal agents in the Naval Investigative Service and FBI knew about the inquiry, it was kept secret for nearly two years. Investigators said they had no indications that those under scrutiny were aware of the wiretaps. The decision to make the investigation public, they said, was based solely on a conclusion that little more useful evidence could be derived from the surveillance. Several consultants were free-wheeling in their approach to the information, working simulta-

JEWS: Israel Issues an Ultimatum to Soviet Emigrés

(Continued from page 1) a status that limits their chances of settling in other countries. Reports from Moscow said that to travel to Bucharest, an emigrant must first order a Bucharest-Tel Aviv airline ticket. In April, Jews in Moscow said they began receiving official emigration papers from Israel that permitted only travel to Bucharest and Tel Aviv. After Sunday's Cabinet decision, Israel radio quoted Prime Minister Yitzhak Shamir as saying: "Every other decision would be interpreted by Soviet Jews as treason and support for the drop-outs." The move was opposed by Yitzhak Peretz, the interior minister, who said Israel "should save every Jew wishing to leave a country of distress." Meanwhile, Israeli officials said Sunday they would open talks with Egypt on their Tabas border dispute and they would ask international arbitrators to delay a decision on who should control the tiny Red Sea territory. Mr. Shamir, Foreign Minister Shimron Peres and Defense Minister Yitzhak Rabin decided to send Robbie Sabel, the Foreign Ministry's legal adviser, to Washington this week to arrange talks on the six-year-old dispute, Israeli officials said. Mr. Sabel will meet Nabil al-Arabi, the Egyptian representative on Tabas, and Abraham Sofaer, the U.S. State Department official who has been trying to get the two countries to resolve the issue. Israeli officials said Egypt had

dropped its condition to start talks only if guaranteed sovereignty over the 700-meter (750-yard) coastal strip, where Israel has built a luxury hotel. In the occupied Gaza Strip on Saturday, troops fired at protesters throwing firebombs, killing a 17-year-old Palestinian and wounding two others. An army spokesman said Sunday that three youths were wounded in clashes during the night with troops at the Balata refugee camp near Nablus in the occupied West Bank. Commercial activity in the occupied territories was slow but most schools were open following clashes between students and troops on Saturday, when classes resumed after a two-day closure.

LEHMAN: Links Are Probed

(Continued from page 1) nearly a decade ago. Mr. Lehman recruited Mr. Paisley as their assistant secretary of state in 1981, and he served as research chief until 1987. Law enforcement sources identified Mr. Paisley as a key figure in the probe of Mr. Lehman's contracting. His home and office were searched Tuesday. Mr. Lehman, who resigned as navy secretary in April 1987, was the same month Mr. Paisley began consulting business, contacted reached for comment. Close to Mr. Lehman said that Mr. Lehman and his wife suspected their phone was tapped. The Washington Post said Saturday that according to leaked Pentagon memoranda introduced in a federal court in Alexandria, Virginia, the former secretary of defense, Caspar W. Weinberger, was informed several ago that Mr. Lehman's office was the "principal point of origin" of leaks of sensitive Pentagon information relating to contractors. The memo was prepared for a meeting between the two men in which Mr. Weinberger was questioning Mr. Lehman about this problem. Whether the meeting occurred is not clear, and there is no explicit connection between the memo and the newly disclosed investigation.

15 Die in India Road Crash

The Associated Press NEW DELHI — Fifteen persons were killed and 25 others injured Sunday when a truck slammed into a bus near Meerut, 80 kilometers (50 miles) north of here, the United News of India reported.

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Reform Week 3-Ye Most Radic... You want to... with begin... The

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Soviet Reform Meeting Will Seek 3-Year Delay In Most Radical Steps

By Gary Lee
Washington Post Service

MOSCOW — A Communist conference starting here June 20 will seek to give general approval to Mikhail S. Gorbachev's economic and political reforms. But it will recommend postponement for years of final decisions on the radical proposals, according to Soviet officials.

Valentin M. Falin, director of the Novosti press agency, detailed how Mr. Gorbachev and the leadership planned to meet for a four-day meeting of 5,000 party delegates to discuss, debate and integrate views on reform programs. In recent years, some elements of the reform have come under public at-

outlined by Mr. Falin, who is a candidate member of the Central Committee, the agenda for the 19th conference seemed less ambitious in scope and more limited in priority than Mr. Gorbachev's proposal of a year and a half ago for a forum to overcome opposition to his reform drive.

Falin said the conference's agenda is the result of a debate by party officials about what changes will be allowed by party rules.

The gathering will not have to make new Central Committee decisions, authorize further reforms or alter party rules — steps by some party radicals.

Falin said that a proposal to the terms of Central Committee members and other party officials introduced by the leadership could not be en-acted by delegates. Instead, he said, the measure could be

Laotian Elections Begin Sunday

The Associated Press

VIENTIANE — Laos will hold national elections for the first time since the Communists seized power in 1975, the official Laotian news agency said Sunday.

The elections, scheduled next week, will be for representatives in 13 districts throughout the country. These district elections are to be followed in November by provincial and national elections.

A Supreme People's Assembly, formed in 1975, has drafted a constitution and an election code. The constitution is expected to be ready next year.



Soviet policemen leading away a protester in Moscow on Saturday during a rally demanding a system of free elections.

A 'Devil' to the Soviets Finds Russia Changed: He's a Devil No More

By David Remnick
Washington Post Service

MOSCOW — In the dark, weary days before Mikhail S. Gorbachev assumed power in 1985, Richard Pipes was a "devil" to the Soviet Union. As both a historian and an adviser on Soviet affairs in the Reagan administration's first term, Mr. Pipes epitomized the hard line.

"They really hated me here," he said. "I was pure evil."

He is here now on his first trip to the Soviet Union in 13 years, and he cannot quite believe all that he is hearing and seeing.

A few days ago, Mr. Pipes was sitting in his room at the National Hotel, near Red Square, watching a television documentary called "A Cathedral." He was impressed. "In fact, I was stunned," he said.

"First they showed the dynamiting of churches during the Stalin era. Then a young woman came on the screen — not an old babushka kissing icons, not that stereotype —

Yugoslavs Move Closer to Open Market Economy

By Jackson Diehl
Washington Post Service

BELGRADE — Yugoslavia's Communist leadership, frustrated by years of economic crisis and Europe's highest inflation, is moving to abandon key elements of the unique economic and social system installed by the postwar leader, Josip Broz Tito.

Under a consensus taking shape among party and government officials from the country's eight semi-autonomous republics and provinces, the practice of self-management by workers and the steering of the economy through broad social pacts, conceived by ideologist Edvard Kardelj and put in place by Tito during the early 1970s, could be largely dismantled.

The practice of self-management by workers and the steering of the economy through broad social pacts, conceived by ideologist Edvard Kardelj and put in place by Tito during the early 1970s, could be largely dismantled.

month ago. About 5,000 workers from the Zvezda factory and at least two other companies marched to parliament and were permitted by police to walk along central Lenin Boulevard, according to United Press International. The police prevented another 5,000 from joining the protest.

As envisioned by a special reform commission headed by Prime Minister Branko Mikulic, the new model would approximate the most radical plans for reform of socialist Bloc economies. In that sense, Yugoslavia, which since breaking with Moscow in 1948 has sought to cultivate a unique variant of Communist rule, would move toward a convergence of policies and economic interests with Warsaw Pact neighbors such as Hungary.

The landmark reforms, which were presented to parliament and a special conference of the Yugoslav League of Communists early in June, must still survive what officials say will be a bitter battle between reformers and hard-liners, as well as clashing provincial and republican interests. Extensive constitutional revision would be necessary to fully implement the plans.

Nevertheless, Yugoslav federal government officials and representatives of some key republics say the government made the first moves toward deep reform in late May by implementing a radical program of market liberalization and fiscal austerity under a new agreement with the International Monetary Fund (IMF).

Under the plan, Yugoslavia expects to receive a total of \$1.4 billion in new loans from the World Bank. Western governments and commercial banks over the next year, in addition to relief on payments of its existing \$21 billion in debts. In exchange, the government has freed prices of 60 percent of goods, liberalized imports, created a free foreign exchange market, and imposed strict controls on both state spending and wages.

The new measures, which aim to reduce inflation from 150 percent in May to around 95 percent by December, have met more hardship for long-suffering Yugoslav consumers and another wave of strikes and protests for the government to manage. Prices of meat, beverages and other consumer staples, which had been frozen for several months, have doubled in the last few weeks even as some firms have been forced to reduce their workers' wages.

Store sales slumped in June and strikes have broken out in big industrial firms around the country.

The unrest has raised the question of whether the new stabilization program, like several that have

preceded it in the last two years, will collapse through the pressure of striking workers and the reluctance of fractious republican and local officials to stick to a fiscal hardline.

Though spearheaded by Mr. Mikulic's relatively weak federal government, the thrust of the economic reform drive has been strongly backed by party leaders in Serbia and the liberal northeastern republic of Slovenia. At its heart is the conviction that Tito, in seeking to create a unique form of socialism in Yugoslavia, gravely erred in leading the economy away from a market-based system in the 1970s.

Under the 10-point reform proposal, the unit system of organizing the economy would be dropped in favor of the traditional company form, and the role and powers of worker's self-management would be scaled back. Mr. Kardelj's concept of "social ownership" of nationalized firms would be radically changed and workers would be issued shares in the firms they worked in.

Other parts of the reform proposal would seek to restore a traditional market economy to Yugoslavia by reshaping the banking system along Western lines, creating a capital market, changing the accounting system so that companies would be forced to become cost- and profit-conscious, and allowing unprofitable firms to go bankrupt.

but a young, pretty woman with a spiritual face, and she said with great conviction, "You have to believe in God. Otherwise, you are dead. Religious faith keeps you alive."

On another channel, Mr. Pipes watched a former alcoholic in the Ukraine tell an interviewer that he now had 150 head of cattle and earned nearly \$30,000 last year, vastly more than average.

Still later, Mr. Pipes heard Vitali Korotich, editor of the weekly Ogonyok — a main forum for critical articles — question the Communist Party's control of the Soviet state. "It was absolutely non-Leninist," Mr. Pipes said.

Mr. Pipes, 64, was born in Poland and lived there until his family escaped the Nazis in 1939. As an academic, a professor at Harvard, he visited the Soviet Union seven times before 1975.

Since then, his work for the National Security Council in 1981-82, constant denunciations of him in the Soviet press and, also, just a lack of interest, kept him away.

"There was really no sense in going," he said over lunch at an Uzbek cooperative restaurant. "I mean, what was really so different about the Soviet Union in 1975 and, say, 1983? Nothing."

The other night, Lev Timofeyev, a prominent dissident and the president of a small, unofficial "university" in an apartment, invited him to give a lecture.

In a room choked with benches and people and wool and the thick haze of Russian cigarette smoke, Mr. Pipes spoke of the need for the Soviet Union to adopt "the Western way" of private property and individual, legal rights.

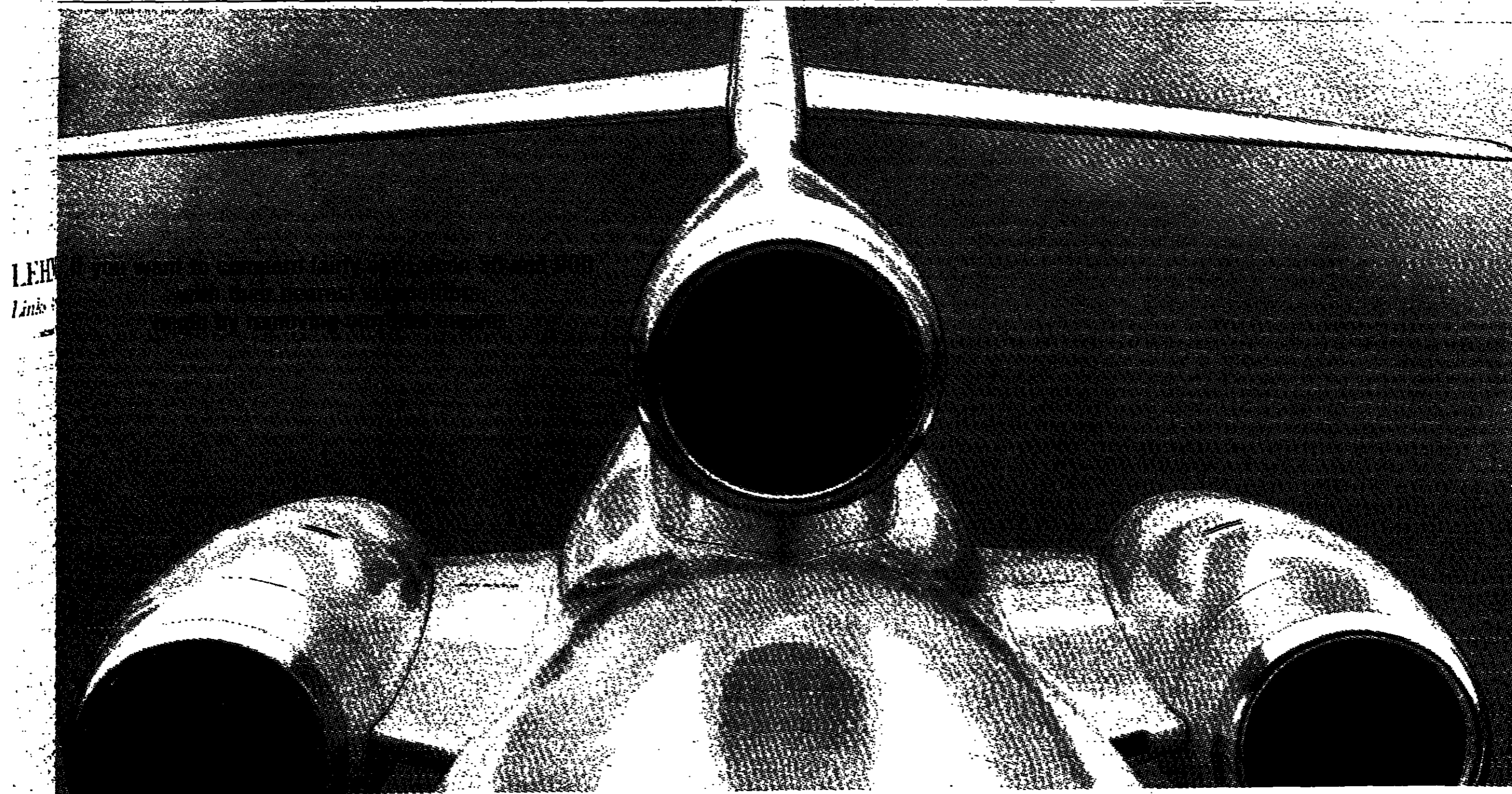
"There were a lot of people in the room who take Solzhenitsyn's view that everything after the revolution is awful and everything before was glorious," Mr. Pipes said.

The changes under way became evident to Mr. Pipes when Moscow News published two of his articles.

And an article in Novy Mir referred, rather positively, to one of Mr. Pipes's seemingly most anti-Soviet ideas — that the lack of private property has been a principal barrier to democracy and participation in public life.

Still, Mr. Pipes is "cautious" about the course of reform in the Soviet Union, saying that the publication of once-forbidden books is "relatively easy" compared with the task of economic and political reform.

"The lessening of fear here is genuine," he said. "That can't be faked. But the contradiction is still in place. The police are in place."



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INTERNATIONAL Herald Tribune

Small Expectations

All the vibrations indicate serenity and good feelings this week in Toronto. The chance of serious friction or even serious discussion is low — lower than last year or in most years — as the seven big industrial democracies meet for their annual session on economic strategy.

Zia Promises Again

Mark Twain once remarked that giving up smoking was easy; he'd done it dozens of times. President Mohammed Zia-ul-Haq of Pakistan has no difficulty talking about democracy and constitutional rule; he promises them all the time.

Business as Usual?

Senator Charles Grassley, an Iowa Republican, says that the breadth of the defense procurement scandal now unfolding is "beyond the wildest imagination," while his colleague John Warner, a Virginia Republican, calls it "the most widespread case I or anyone else has ever seen."

Other Comment

Other Parties in Toronto: The G-7 meeting is expected to be noteworthy not so much for the matters discussed but for its cast changes. The Toronto get-together is Ronald Reagan's last economic summit and Noboru Takahata's first. Critics say that Mr. Takahata is basically unopinionated and does not comprehend global issues.

INTERNATIONAL HERALD TRIBUNE

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Time for Moderates Is Fast Running Out

By Flora Lewis

PARIS — Prime Minister Yitzhak Shamir said after a firebomb attack in Tel Aviv on June 12: "The conflict is over survival. We are talking about injury to our social being, and such should be our defense." Reported deaths since the Palestinian uprising began in December stand at least 218 Arab and three Jewish lives.

severely beaten an Israeli construction foreman near Kiryat Arba. "Terribly sorry," they said, "we thought he was an Arab." They had shouted at him in English and he didn't understand. Who is to decide which is the enemy?

For Peace Talks Between Israel and the Palestinians

WE the undersigned urge immediate international attention at the highest level to foster negotiations between the state of Israel and the Palestinians, based on mutual recognition of national legitimacy and the exchange of territory for peace.

timians but also the Arab states in conflict with Israel over substantive issues. An international conference including active roles by the United States and the Soviet Union can facilitate bringing the various parties together, establishing assurance of fairness and opening the way for substantive bilateral negotiations.

Philippines: Economics Should Have Priority

By Amando Doronila

MANILA — A proposal for \$10 billion in aid from a group of Western and Asian countries to assist economic recovery in the Philippines is meeting strong reservations from vocal segments of public opinion here.

considered by the United States to be among the most strategically important in the Western Pacific. They help counter Soviet power in the region and support a U.S. military presence in the Indian Ocean and the Gulf.

from occupied territories to Israel proper is some sort of breach of tacit rules, as if Palestinians had accepted the division of territories, albeit without peace, which he himself rejects.

George Shultz keeps plodding doggedly around the Middle East, without much hope of at last engaging in negotiations but trying at least to keep up the appearance of some kind of peace process.

Putting flesh on the bones of the skeletal proposal for the Philippines will take a lot of work. But some Asian leaders, such as Prime Minister Lee Kuan Yew of Singapore, are campaigning for it.

The writer, editor of The Manila Chronicle and a prominent political analyst, contributed this comment to the International Herald Tribune.

For a Political Conversion to Growth

PART of the West's problem is lack of confidence. It has been so hampered in the last 15 years by OPEC, inflation and recession that it cannot recognize a good day when the sun shines.

The Toronto summit package of debt relief for Africa will do little for the world economy at large. Most of Africa is too poor to count. The really important issue is the Latin American and Filipino debt, together with that of the African countries which carry economic cloud — Ivory Coast, Nigeria and Morocco, which are not included in the present package.

The Chinese Are Rooting For Glasnost

By Liu Bin

LOS ANGELES — Few countries outside Eastern Europe are more concerned than China with the success of Mikhail Gorbachev's reforms. Just as China's achievements in economic reform have inspired Soviet reformers, so the fate of Mr. Gorbachev's political reform will have considerable influence in China.

The people have learned to think for themselves. In the Soviet Union, with a population of more than 280 million, Pravda circulates more than 10 million copies. Even allowing for lower literacy rates and less average buying power in China, there is no reason why a population of more than a billion should produce a newspaper reading smaller than Pravda's.

I argued in a speech in China in 1984 that the cover-up of issues in Chinese political and social life drives the people from the Communist Party and increases their indifference.

Russian reformers enjoy one distinct advantage over the Chinese in the pursuit of glasnost. Mr. Gorbachev represents a new generation of leaders who were not shaped by the Stalin era. While reformers in both countries must contend with a strong authoritarian tradition, Stalin has been dead for 35 years. Mao Zedong died in 1976. However, Stalin, unlike Mao, valued the utility of intellectuals. Today they are proportionately more intellectuals in the Soviet Union, with more jobs open to them, than in China.

A postwar history of economic development and internal page makes it harder for Russian reformers to argue convincingly for perestroika. The Chinese reformers, who have no such legacy to argue against, have met less resistance in reforming the economy.

Tens of millions of Chinese are still without adequate food and warm clothing and severe inflation is causing many to leave the country. These facts stand in sharp contrast to the extravagant luxuries enjoyed by those who remain in power and privilege.

1888: Foreign Missions. LONDON — The general conference on foreign missions, with 168 delegates from the United States, was brought to a close [on June 19] with a meeting in Exeter Hall, at which about 2,000 persons were present.

Vertical advertisement on the right edge of the page, partially cut off, featuring the word 'Inflation' and other text.

Handwritten signature or mark at the bottom of the page.

CHINA

In the ten short years in which China has been liberalizing its economy, it has also gone through a crash course in the triumphs and tragedies of capitalism.

Coming to Terms With Inflation

CHINA'S economic growth has been remarkable. Its modernization program and vigorous export drives have produced annual GNP increases that would be heroic were it not for the relatively minor role that its economy plays in the global market. But the price of economic reform is now being paid, and it's an alarming one.

Similar inflationary trend — too much money around and too little available to spend it on.

The relatively massive influx of foreign investment — also vital to economic redevelopment — has only aggravated the inflationary spiral. Many joint venture enterprises have had to pay premiums and often overinflated salaries, employee benefits, rents and other costs to hungry local authorities — a problem which is only now being tackled to some extent with open-market employment policies in major centers like Shanghai and Beijing.

Inflation is running at a national level of seven percent, according to the Beijing government, but has been put as high as 20 percent in some areas by independent observers. Not only that, it is confronting the government with a political challenge as serious, if not as grave, as anything faced by the Western industrial powers in the 1970s.

This free market inflation is giving the government a major social headache. In the major urban centers — Beijing for example, where an "official" eight percent hike in retail prices meant a drop in real income for nearly half the population last year — inflation is being cited as a prime cause of public discontent, and a dangerous one at that. With supreme irony, it is also blocking a crucial price adjustment program which will, in effect, bring even more inflationary pressure to bear on the consumer.

Inflation has been inevitable in China's dramatic economic change of course from rigid central planning and control to widening free enterprise. Wherever wages and prices have been unshackled, largely in the newly emerging consumer manufacturing and service industries, they have risen swiftly. The export boom, essential for the foreign exchange needed to bankroll the modernization program, has siphoned away consumer production and produced a fa-

During the three decades of revolutionary rule, prices of many essentials and a range of



Open market employment policies are being introduced in major centers like Beijing.

basic consumer goods were under strict government control in what would have continued to be a classic system of socialist cost-of-living subsidization, had the whole system not swung onto the capitalist course. What has happened since then is that prices for many commodities have been completely out of tune with actual production costs, and this has caused actual economic damage.

Take the case of the sugar industry: it's been reported that because the retail price of sugar hasn't changed for the past 20 years, more than 40 percent of China's sugar mills have gone deeply into the red or closed down altogether, their production costs zooming way above their incomes. The same prospect threatens the crucial energy and steel industries. Western bankers, particularly, have warned that controlled steel and coal prices are so unrealistically low that it is impossible for these industries to become profitable.

Aware itself of the perils, the government published an economic masterplan in 1986 earmarking price reform — lifting controls and allowing prices to be dictated by market forces — as one of its priorities over the next five years. The intention is still there, and is being promoted as a move essential to the development of the economy, but the plan itself has fallen foul of rampant free-market inflation. With prices rising all over the place, and with millions of people angry about it, this is no time to add to the inflationary spiral.

In fact, the opposite has happened — controls have been stiffened on the rapidly rising prices of some essential consumer and industrial goods and such basic commodities as

meat, poultry, eggs and food-grain for the pork industry. And another bitter implication of capitalism has become all too clear.

Pork prices have been inflating because of a pork shortage, caused in turn by price controls and rising feed costs which have made pork production uneconomic. In order to offset public unrest, the controls will remain in place, at least for the time being. And for the pork industry, as indeed for almost every other major industry struggling to come to terms with the new capitalist way in Chi-

na, this means that production will continue to lag behind demand, continuing to create the inflationary state of affairs that price subsidies are supposed to hold down.

Inflation is seen as a consequence of capitalism that China will have to live with until the essential antidote is arrived at — a level of economic production that exceeds or at least satisfies consumer demand. But radically increased productivity is what the modernization program is all about, and by China's own reckoning it will be at least the year 2000 before it can regard itself as anything approaching a modern society. And this confronts the economic helmsmen in Beijing with another inflation-based dilemma.

A prime example of the productivity problem is refrigerator production in Shanghai. Last year, the demand for refrigerators topped 470,000, but the local industry could supply only one-seventh of that because of a shortage of imported key components. These parts were scarce because imports had been reduced. Why? Because of sharply rising prices. Inflation.

This vicious circle encompasses each move in the productivity campaign. Much of the increased foreign investment and technology transfer, vital to the campaign to upgrade plant, machinery and industrial infrastructure, comes with an inflationary price tag on it. Worker bonuses and incentives mean increased production costs, and have a distinctly disreputable stain on them anyway — they've been too liberally distributed and taken too much for granted in the past.

All this leaves Beijing's planners with little room for maneuver in their battle to boost output, satisfy a domestic demand that is becoming increasingly hungry for consumer goods and at the same time make sure that the inflationary consequences do not violently rock the social and political boat.

It's not the specter of an inflation rate sparking off serious social unrest that worries the government — by all accounts, it's felt that after the tumult and hardships of the Cultural Revolution the vast majority of Chinese have had enough of rage in the streets. What is far more worrying is the effect that continuing or soaring inflation will have on the delicate political balance of conservatives and progressives that has allowed the entire modernization and "open door" program to go ahead. If inflation gets out of control it will strengthen, and to some extent vindicate, the hide-bound revolutionaries in the political structure whose view of China's brave new economic course is that it will end in tragedy, not triumph.

— Derek Maitland

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LIAONING PROVINCE

Provincial Economy Mounts Export Drive

TWENTY years ago, the economy in Liaoning was not only the strongest in the northeast; it was one of the strongest provincial economies in all of China.

With less than 4 percent of the nation's population, and covering only 2 percent of its area, Liaoning accounted for about one-eighth of China's overall industrial production and produced 40 percent of its steel. Underlying these achievements were Liaoning's capitalization — very high by Chinese standards — and the province's wealth of readily

accessible and relatively unexploited resources.

Alongside an established infrastructure — which includes China's largest deep-water port and over 2,000 kilometers of double-track railroad — the province currently boasts the world's largest chrome products factory and is the world's leading producer of molybdenum and magnesite.

Yet Liaoning's products were, until 1985, largely destined for the domestic market. It was China's open trade policy — followed by central government export incentives

— that gave the province the opportunity and the impetus to join the international trading community.

This, in turn, necessitated the development of an entirely new export infrastructure. Since then, the number of workers in the export trade has risen to 15,000; transport facilities have expanded to include 1,100 trucks; and 2 million square meters of warehouse space, as well as a provincial trade school, have been constructed.

At the same time, modern marketing methods have been implemented. These include trade missions and shows in East Germany, Tokyo, Oman, Kuwait and the United Arab Emirates, as well as a Liaoning Product Exhibition in Illinois — the province's sister state.

Such moves have been accompanied by the introduction of new policies to liberalize export credentials' criteria, and led to a seven-fold increase in the number of companies authorized to export. Packaging, warehousing,

transportation and foreign trade base services have all witnessed rapid growth.

Exports have burgeoned. Currently valued at \$5.04 billion, they reach 10,000 firms worldwide.

Textile Turnaround

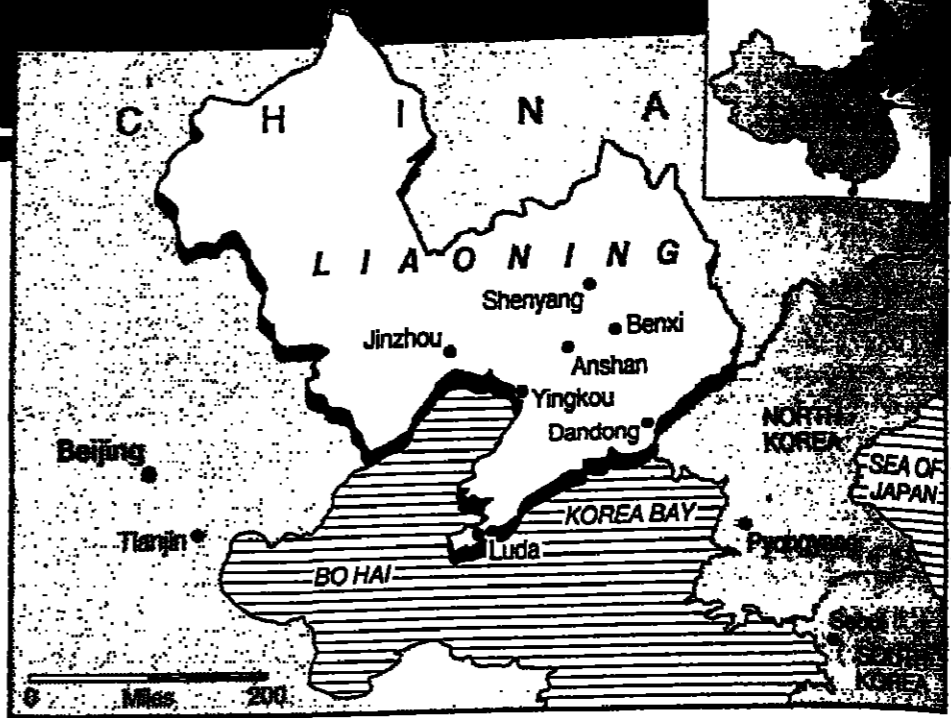
One of the industries that has benefited the most from this explosive growth is textiles. The China National Textiles Import and Export Corporation evolved from the pre-war silk trade. Basic raw materials such as wool and cotton were originally brought to the silk spinners of Liaoning for processing into threads and fabrics, but soon American plastics and Japanese polyesters were garnering great shares of even the local market.

China began exporting threads and textiles in the early 1960s. But as production increased in Japan and South Korea, the industry recognized the need to modernize. New equipment was bought from Italy and Japan; polyester threads were found from

local sources and from abroad when domestic demand proved too competitive. Wools were purchased from Australia and New Zealand and plastic pellets from the United States.

Today the Liaoning Branch exports over \$210 million worth of textiles to markets such as Europe, the U.S., Canada, Japan, Hong Kong, Australia and the Eastern bloc. Liaoning also ships yarns to Hong Kong, Macao and Japan; fabrics to Japan, America and Australia; wool to Eastern Europe and Hong Kong; and knitted fabrics to Japan, Italy, Hong Kong, Australia and Singapore.

The huge 30 percent jump in exports of metal products contributed greatly to the record \$110 million in exports achieved by the Liaoning Branch of the China National Metals and Minerals Import and Export Corporation in 1987. But, although the province has long been famous for its mining and metals exports, it still holds great potential for



further export production.

Japanese technology and management provided the area with its first industrial platform as a basis for China's heavy industrial production. The Liaoning Branch was established in 1954 with the export of coal, coal byproducts and non-ferrous metals. But following further discoveries of mineral products and a concurrent need to diversify, the corporation developed new categories of export products.

The magazine Industrial Minerals has since renamed Liaoning "the Magnesite Giant," for over 60 percent of China's magnesite export now comes from the province. Over 350,000 metric tons of this important fertilizer were shipped last year.

The world's cosmetics, textiles, paper, soaps and ceramics industries also imported 350,000 metric tons of talc from Liaoning.

Other important non-ferrous metal exports include chrome products and titanium. With the world's largest chrome products factory, as well as other important factories in all major cities in the province, the corporation can afford to be highly competitive.

Established in 1953, the China National Cereals, Oils & Foodstuffs Import and Export Corporation has seen some of China's fastest development of new products. From a tradition of exporting basic food products such as fresh and dehydrated fruits and vegetables, nuts and bulk seafoods and meats, the corporation has survived a revolution in systems and techniques including quick-frozen products, polypropylene bag and glass packaging, fish farming, mineral enriched foods, not to mention new management and marketing systems.

Although it contributes still only a small proportion to total food export production, even such new businesses as supplied material processing are not too revolutionary. Under a different "imported materials" trade category, abalone from Canada and Australia is purchased, canned and exported to markets in Japan.

Today, with some 1.5 million hectares of fish farming, total exports reaching an annual \$100 million, sales representatives in Hong Kong, Japan, Canada, the U.S., Europe and the East Block nations and, most important, a new competitive, even capitalistic, determination in its produc-

tion and export marketing, Liaoning is building a new worldwide reputation.

The Future

According to Mr. Shu Qing Zhang, vice director of the Foreign Trade Bureau of Liaoning Province, there is virtually no limit to the resources and the labor that can be drawn on to meet future demand.

The Trade Bureau plans to increase the number of export companies, but all candidates must produce a genuine track record of quality and price professionalism in their export trade. They are further expected to reach an annual turnover of \$5 million within three years of authorization.

The Trade Bureau is also placing a high priority on the development of both labor- and expertise-intensive industries. Labor-intensive industries such as garments and shoe making will receive government marketing assistance, as well as financial and procedural incentives including subsidies, export duty waivers and preferential treatment with regard to water and energy supply, foreign exchange transactions, loans and interest rates and access to raw materials.

—Richard Blair

Single-Stage Centrifugal Pump XA Series

China National Machinery Import and Export Corporation is an authorized distributor, which offers a wide range of machinery, electrical and other products. The XA Series is a single-stage centrifugal pump with a cast iron body and a stainless steel impeller. It is suitable for various applications such as water supply, irrigation, and industrial use.

For further information, please contact us directly.

Patterns of Trade

THE emphasis on flexible trade — the processing of imported raw materials — is in the forefront of the changes to China's trade patterns. One of the clearest examples of this trend is the export garments industry, a spin-off from the traditional textiles industry. Mr. Liu Ji Mou, managing director of the China National Textiles Import & Export Corporation, Liaoning Garments Branch, points out that Dalian city is an old hand in the rag trade.

Known as the "Garment City of China," Dalian and its environs have more than 10,000 workers involved in the export garments trade and, together with the province, ships \$100 million worth of men's, ladies' and children's cotton, wool and blended goods to markets in Japan, America and Europe.

The Liaoning Garments Branch of the National Textiles Import & Export Corporation involves some 150 factories in its exports trade. It has been manufacturing gar-

ments since 1960, and until March 1987 was an arm of the Liaoning Textiles Branch. In the preceding years it developed so many new products and markets that its eventual independence was inevitable. Now, with a complete range of fabrics, its own creative team and overseas offices in Japan, the U.S. and Europe, the Garments Branch produces high quality finished garments from ladies' ensembles to blazers and goose down jackets.

—R.B.

Liaoning Foreign Trade Corporation is a nationalized corporation. It therefore has the permission and back-up of the government to carry out business transactions and honor contracts. We strongly emphasize our business ethics, and give top priorities to client service and quality control of all the products which we handle.

Our business scope includes:
Export: we can work independently, cooperate or as an agent for businesses including: technology transfer, chemical & pharmaceutical products, native produce, light industrial products, textiles, and the marketing of new products.
Import: we can work as an agent or deal directly in the importation of machinery equipment meters, chemical & pharmaceutical raw materials and other products. In addition, our flexibility allows us to set up joint-ventures, compensation trade, processing with supplied materials & trade and even advertising and promotion.

For further information, please contact us directly.
Import dept.: 331130 Export dept.: 336133
Barter trade dept.: 336995, 338243
Economic development dept.: 332157
Overseas business dept.: 337008
Transportation & shipping dept.: 336187
Dalian Technology & Economic Development Zone: 713837
Liaoning Foreign Trade Adv. Corp.: 332342
Trucking dept.: 238567
Shenzhen Liaoning Foreign Trade Corp.: (Shenzhen 24933 x 2519)
Address: NO. 2 Heping St. Dalian, China
Tele: 86286 LFTD CN 86373 LFTC CN

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Our corporation can supply BMX and ATB series bicycles with the latest design.

For a reasonable price, we can manufacture bicycles according to supplied specifications and brand names. We can also assemble bicycles with parts and materials supplied by buyers.

For a speedy reply, please write to us directly.

China National Light Industrial Products Imp/Exp Corp. Liaoning Branch
Address: 110 Stalin Road, Dalian, China
Tel: 0411-804857 Tele: 86156 YASHU CN
Cable: "INDUSTRY" DALIAN Fax: 0411-808348

Situated in the southern tip of the northeastern part of China, Liaoning province composes a vast area with rich resources, spectacular scenery and convenient transportation.

All these God-gent natural conditions provide an ample supply of high-quality cattle, meat, fresh fruit, fruit products, dehydrated vegetables, salted vegetables.

With a coastline stretching more than 2,100 miles, there's a continuous supply of fresh and delicious prawns, peeled prawns, prawn balls, a great variety of fishes and shells.

A solid industrial foundation in Liaoning ensures the production of various kinds of canned goods, sugar and confectionery, alcoholic drinks, beverages, seasoning and other products.

Enquiries from business representatives from the world over are most welcome.

China National Cereals, Oils and Foodstuffs Imp./Exp. Corporation, Liaoning Foodstuffs Branch.
145 Stalin Rd., Dalian, China. Tel: 236132 232344
Cable: TALOIFOOD DALIAN Tlx: 86216 DACOF CN

China National Chemicals Import & Export Corporation, Liaoning Branch is engaged in both import of petroleum, chemicals and pharmaceuticals for the three provinces in Northeast China and East Inner-Mongolia. And one of our main products is white oil. (See below for specifications).

Our corporation has trade relations and economic cooperation with trade partners in more than 100 countries and regions. Its annual export volume has reached 4 billion U.S. dollars. Highly efficient management and flexibility are the two main reasons for our corporation's success. Right now, our corporation has succeeded in setting up joint venture enterprises and also has established representative offices in U.S.A., West Germany and Hong Kong to improve our service.

WHITE OIL (White mineral oil; paraffin oil)

Viscosity (Engler) 50°C	Grade A 1.78 min	Grade B 1.45 min
Acid value (mgOH/g)	0.05 max	0.05 max
Flash point (open cup)	165 min	145 min
Pour Point	below 1°C	below 0°C
Water-soluble acid and ash	none	none

CHINA NATIONAL CHEMICALS IMP. & EXP. CORP., LIAONING BRANCH
139, Stalin Road, Dalian, China. Cable: SINO-CHEM/DALIAN
Tele: 86162 CHEMD CN Person to contact: Han Feng

OUR corporation is one of the major imp/exp corporations in Liaoning province. Over the years, we've established business relationships the world over.

Our main export products include:

- Black melon seeds
- Pumpkin seeds
- "Hsiang Yang" brand black melon seeds, roasted with spices
- "Hsiang Yang" brand pumpkin seeds, roasted & salted
- Peanut kernels
- Pearl barley in shell
- Shelled black melon seeds
- Bitter apricot kernels
- Wild walnut meats
- Various kinds of fruits, preserved apricot and preserved apple
- Salted, cultivated vegetables & wild vegetables
- Dried vegetables
- "Golden Pine" brand canned namoko
- Air-dried mushrooms & salted mushrooms
- Bee honey
- Bee's pollen
- Bee's wax
- Chinese propolis
- Capsules pollen
- Capsules pollen & royal jelly
- "Golden pine" brand candle
- Jute bags
- Jute yarn
- Polybags
- Gelatin, bone glue and inosine
- Spices & essential oil, aromatic chemicals
- Bird feeding
- Flooring block
- Charcoal
- Dried chlorella
- Wooden toothpick
- Birch wood ice cream sticks
- Coffee string
- Wood inlaid picture and Liaoning noted landscape

For catalogues and further information, please contact us directly.

China National Native Produce and Animal By-products Import and Export Corporation, Liaoning Native Produce Branch
Address: 139 Stalin Road, Dalian, China
Tele: 86155 PRO CN Cable: PRODAIREN DALIAN

Promoting Trade Between CEIEC Liaoning Branch and Foreign Firms On The Basis Of Mutual Benefit

China National Electronics Import & Export Corporation (CEIEC) Liaoning Branch is a foreign trade entity which integrates industry and technology with trade. It is responsible for the import and export of electronic products and equipment in Liaoning, cooperative labour service, joint production and joint venture.

Products available for export from CEIEC are as follows:

- Communication equipment
- Computers
- Broadbanding and TV equipment and household electronics, and
- Special-purpose materials for electronics.

Strictly adhering to the principle of honouring contracts and maintaining a high level of business ethic, better choice of business partners in China.

Contact us, and see how we can help each other.

China National Electronics Imp. & Exp. Corp. (CEIEC) Liaoning Branch
Address: 109 Tangshan Street, Dalian, China Tel: 336278
Tele: 86324 CECLS CN

Precise Machine Tools From Liaoning, China.

Over the past 60 years, Liaoning has been one of the most important heavy industrial areas in China. Now it has more than 40 factories specialized in the production of machine tools, with an annual production of 100,000 units.

Right now, Liaoning has 4 state-level laboratories working intensively on both traditional and advanced lathes, drilling & boring machines, and combined machine tools.

Our corporation can manufacture machine tools measured both in inches or metric:

- Traditional lathe: diameter of girder of 300 - 1,125 mm, process length 750 - 13,000 mm
- Vertical lathe: diameter of girder of 900 - 2,250 mm
- Radial drilling machine: drilling hole of 25 - 125 mm, radial overhang length 1,000 - 4,000 mm
- Boring machine: diameter of spindle of 65 - 130 mm, greatest reach of spindle: 600 - 1,000 mm
- Slitting machine: slit length: 200 - 1,000 mm
- All-purpose tool making machine: working area: 300 x 6 mm
- Forging press equipment: can take press machine from 2.15 - 100 tons and roll press machine from 63 - 1,000 tons

In addition, we also handle grinding machines, rolling lathes, combined machine tools, digital controlled lathes, wire rolling machines, wood lat machines and other accompanying spare parts.

For further details, please contact Mr. Gu Zhi Xue at:
China National Machinery & Equipment Imp/Exp Corp., Liaoning Branch
42 Kunning St., Dalian, China. Tele: 86226 CMEDE CN
Cable: "EQUIPMENT" DALIAN Fax: 411-239916 DALIAN

We're Catching Up

Long gone are those blue, gray and black Mao jackets. A major fashion revolution is going on in China, and Liaoning Textiles Import and Export Corporation is one of the major forces behind this revolution.

In recent years, as a result of the continuous development of textile industry, "Snowflake" woolen piece goods handled by Liaoning Branch have improved both in quality and quantity.

The woolen cloth exported by Liaoning Textiles covers a great range, they include pure gabardine, worsted flannel, tweed, army coating, student uniform coating with woolen/viscose blended fabrics, woolen/polyester blended tweed, woolen/polyester blended fabrics, polyester/viscose blended fabrics, polyester/viscose gabardine, etc. They are excellent workmanship and come in eye-catching colors.

On time delivery is highly emphasized and the price is very reasonable. We are looking forward to receiving your enquiries. Please contact us directly.

China National Textiles Import & Export Corp., Liaoning Branch
Address: 8, Yimin Street, Zhongshan District, Dalian, China
Cable: CHINATEX DALIAN
Tele: 86164 LDTEX CN

Handwritten signature or text in Arabic script.

CHINA

Chemical Clean-up

CHINA'S chemical industries are currently the target of a government clean-up campaign. And one of the most affected enterprises is the giant Sinochem. Founded some 38 years ago, Sinochem grew up in the industrial decades when China and the rest of the world were less concerned with ecology and more intent on building a solid manufacturing base.

Sinochem succeeded. The company developed a complete range of products including petroleum and its by-products, organic chemical raw materials, inorganic chemical raw materials, chemical fertilizer, pesticide solvents, tire and liquid chemical products. By the early 1980s it was trading with over 140 countries and its annual exports amounted to \$4 billion. Liaoning's petrochemicals industry ranks number one in China.

With the new open door policy, business became even more active and average annual production increases reached 13 percent. But the company and the government also recognized that damage

was being done to the environment and health of the province's chemical workers. Extensive research was begun to develop cleaner export products and assist international efforts to clean up the production and processing of essential chemicals. For example, the Liaoning branch of Sinochem is investigating ways to reduce the lead content of "Accelerator D," a chemical used in the processing of rubber.

Other moves include the introduction of packaged dyes and a whole new range of products to meet the demand for safer dyes. Because of restrictions on the export of some pharmaceuticals, Sinochem is greatly expanding its range of non-pollutant pharmaceuticals as well as developing entirely new down-line products such as rubber gloves for surgical use.

To market these new products overseas, the company's Liaoning branch has offices in the U.S., West Germany, Thailand, Hong Kong and Japan.

—R.B.



Liaoning's export garment trade is a spin-off of the traditional silk industry.

Technology Transfer

THE shift into products such as petroleum pipe fittings, rubber products, packaging and plastic extrusion has called for a wholesale purchase of foreign machinery and technology. Such a shift has made Liaoning and China a significant buyer as well as a seller of sophisticated, world-standard products.

Currently exporting to the tune of some \$25 million per year, the 3,000 enterprises that make up the Liaoning ma-

chinery and machine tools industry have developed a range of 150 product categories and over 500 specific items which are exported to 120 countries and regions overseas. These products and services range from sophisticated factory ma-

chinery and agricultural machines, to hand tools, electronic implements and major international tenders.

The drive to expand international competitiveness and to put China on an equal basis with its world trading partners has brought fundamental changes to this industry. Highly market-responsive and technology-sensitive, it has extended its product base into new areas. One of the keys to this development has been the injection of technology at every step. Traditional products such as the simple bench vice, sold for decades, are being transformed into heavy-duty, multi-purpose tools for domestic and industrial use. When Liaoning does not have the technology, it goes out to buy it. An investigatory group to the United States recently purchased U.S. tooling equipment and patterns for the development of a new range of socket wrenches.

In response to market demand, products are now being packaged and marketed in comprehensive sets. Overseas marketing teams from the Liaoning Branch of the China National Machinery Import and Export Corporation are studying international standards and working closely with clients to produce customized exports. Work skills and designs are being upgraded to make Liaoning machinery and machine tools as competitive as those from the U.S. and Japan.

This, in turn, has increased the demand for technology transfer and imported raw material. Raw products from Japan, the U.S. and Italy are high on the list of priority items.

—R.B.

Made in Liaoning

Liaoning exports a growing range of medicinal products and medical equipment through the Liaoning branch of the China National Medicines and Health Products Import & Export Corporation.

Light industrial products marketing in the province dates from 1954, when the Liaoning branch of the China National Light Industrial Products Import and Export Corporation opened in Shenyang. The corporation cur-

rently exports goods ranging from steel utensils to construction materials.

The traditional arts and crafts of China are flourishing in Liaoning Province. Visitors can find a wide range of items created by provincial craftsmen in the showrooms and warehouses of the Liaoning Branch of the China National Arts & Crafts Corporation.

Liaoning's superb seafoods, meat, vegetables and confec-

tionary are exported worldwide by the Liaoning branch of the China National Cereals Oils and Foodstuffs Corporation.

The long coastline, wooded mountains and fertile plains of Liaoning Province are ideal for livestock husbandry. One enterprising corporation has a flourishing trade in furs, leather, feathers, and other products. The Liaoning Animal By-Products Corporation manages its own farms as well

as dealing in the export market.

Traditional products such as candles and woven mats are exported from Dalian by the Liaoning Native Produce branch of the China National Native Produce and Animal By-Products Corporation.

All kinds of heavy machinery and equipment — from mining and manufacturing machinery to tools and air-conditioners — are produced and exported by Liaoning's

branch of the China National Machinery & Equipment Import and Export Corporation.

The China Electronics Import & Export Corporation's Liaoning branch, with 200 manufacturing operations and over 100,000 personnel, plays a major role in the electronics field. Most of the Corporation's products, which range from sophisticated electronic measuring devices to pocket calculators, are exported.

—R.B.

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 - China National Native Produce & Animal By-products — Liaoning Animal By-products
 - China National Machinery & Equipment — Liaoning
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 - China National Light Industrial Products — Liaoning
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Hard Working Hardware From Guangdong, China

We are a major exporter and importer of construction hardware, construction materials, non-metallic minerals & products and non-ferrous metals & products. These products are all highly durable, skillfully manufactured from superior materials, and they are all reasonably priced.

Over the years, we have, on the basis of equality and mutual benefit, established extensive trade relations with over 100 countries and regions worldwide.

We sincerely hope to further develop our business ties with the world. Businessmen are welcome to come to Guangzhou to discuss business opportunities with us.

Customers' special specifications and designs can be met. On-time delivery is highly emphasized. For more product information and details of our competitive prices please contact:

China National Metals & Minerals Import & Export Corporation, Guangdong Branch, 774 Dongfeng Road (East), Guangzhou, China. Tel: 46377 WUJIN CN. Cable: "MINMETALS" GUANGZHOU. Fax: (86) 20-776437

"Hsiang Yang Brand"
Ginseng Royal Jelly

Ginseng Royal Jelly is an ideal natural nutritional tonic. It has won the prize of National Gold Medal for its high quality and has been chosen as the special nutritional tonic for the Sports Delegation of the People's Republic of China in the Tenth Asian Games.

The main materials of the product are carefully selected and prepared from fresh ginseng of over 6 years, grown in Northeast China, and from fresh glandular secretion of worker bees etc. The prescription and formula are well-chosen with special scientific production technology and up-to-date equipment.

Ginseng Royal Jelly has a tonic action on the nerves and brain and is good for kidney stones, stimulates the appetite and metabolism, improves memory and prevents aging and weariness. It is proven that Ginseng Royal Jelly also has an inhibitive action on the growth of human breast cancer.

China National Medicines & Health Products Import & Export Corporation
Liaoning Branch
136, Northwest Road, Dalian, China
Tel: 86279 MEHEC CN 86462 MHPRO CN
Cable: "MEHECO" DALIAN Tel: 337289 337220

Silk from Liaoning

CHINA NATIONAL SILK IMP. & EXP. CORP. LIAONING BRANCH.
NO. 68, XINGLIN ST. ZHONGSHAN DISTRICT, DALIAN, CHINA.
TEL: 238045, 237612 TELE: 86186 DSILK
CABLE: CHISICORP DALIAN

Fashionable Garments From Liaoning.

The garments exported by Liaoning are exquisitely made from selected fine cotton, wool, linen, chemical fibre and their blended fabrics. They come in a wide variety of styles for all seasons and for men and women of all ages.

Recently, it has imported advanced equipment and technology from abroad, which allow its export items to keep abreast with the ever changing fashion trends in the world market. Garments from Liaoning come in a wide range of styles, are fashionable in design, superb in workmanship, fine in quality and comfortable to wear.

China National Textiles Imp. & Exp. Corp. / Liaoning Garments Branch
Address: 8 Wuwu Road, Dalian, Liaoning, China
Cable: "GARMENTS" DALIAN
Tel: 86452 LDGVT CN

Exquisite FUR HATS From Liaoning

Rich fur resources and continuously evolving technology enable our factories in Liaoning to manufacture excellent fur hats and caps for export. Made from genuine fur and leather, they are exquisitely crafted, fashionable, light and soft. Available in a variety of styles, "Peacock Feather" brand fur hats and caps are warmly welcomed by consumers around the world.

China National Native Produce & Animal By-products Imp. & Exp. Corp.
Liaoning Animal By-products Branch
138, Stalin Road, Dalian, China Tel: 234012
Cable: BYPRODUCTS DALIAN Tel: 86258 BYPRO CN

WHITE SAIL BRAND CAUSTIC-CALCINED MAGNSITE

SM94120 SM90120 SM90200
AM90120 FM90120 SM90300
AM90 0.3-2
AM90 0-0.3 AM90 0.5-1.5

CHINA NATIONAL METALS AND MINERALS IMPORT & EXPORT CORP. LIAONING BRANCH
Address: No. 145 Stalin Road, Dalian, China
Cable: "MINMETALS" DALIAN
Tel: 86153 MIMET CN 86453 MIMET CN
Tel: 236988
Fax: 238089 DALIAN

Liaoning Craft Footwear—Your Best Source for Shoes

What makes craft shoes handled by Liaoning Arts & Crafts I/E Co. different from the rest? FASHION!

Craft shoes exported from Liaoning come in a wide range. Liaoning embroidery slippers are versatile and available in all sorts of colors. The manufacturers have been working hard to improve workmanship through constant perfection of their skill by inheriting the traditional folk art techniques.

Definite design and strict quality control are a guarantee — that's why we enjoy a high reputation amongst our overseas buyers.

We are the major exporter of all kinds of canvas shoes, rubber shoes, P.U. shoes, sports shoes and many others which are made from cotton, corduroy, acrylic towel, synthetic leather, genuine leather, P.V.C. foamed plastic, foamed rubber and E.V.A. of top quality. All of them are lovely to look at and comfortable to wear.

In recent years we have introduced new and exciting animal shoes, leather shoes, moccasin shoes, and deck shoes to our products. Material is luxurious and packing excellent. Our products have reached international standards.

Our craft footwear market spreads from Hong Kong and Japan to America and Europe. Our shoes have created a fashion sensation wherever they have been sold.

We invite you to submit your own designs and specifications. Orders are cordially welcome.

CHINA NATIONAL ARTS & CRAFTS IMP. & EXP. CORP. LIAONING BRANCH
Address: 2, Hong Yan Street, Dalian, China.
Tel: 334473 Cable: ARTS DALIAN
Tel: 86224 DAC CN Fax: 334283

Birds Like It Best.

Chinese hempseed is the best feedstuff for birds. It's nutritious, with full grains.

Specification: Admixture (max.) 3%
Packing: In gurry bags of about 70kgs. net each

China National Cereals, Oils & Foodstuffs Import & Export Corp.
Liaoning Cereals & Oils Branch
No. 1, Wuwu Road, Dalian, China
Tel: 86235 COL CN
Cable: "LICERON" DALIAN
Tel: 805861 237289

Precision. Handworking. Liaoning Hand Tools.

Our corporation handles Eagle Brand iron hammer and different kinds of Golden Bird Brand hand tools. They include:

- Various kinds of bench vices
- Table vices
- Hand pliers
- Hand hammer
- Spanners
- Measuring tools
- Screw drivers
- Cutting tools
- Grinding tools and other tools.

Precisely machined, strictly tested and appraised, the quality of our tools are well guaranteed. We accept processing according to customers' drawings, specified name brands and designs. With a favourable price and punctual delivery, we've already won business partners all over the world, why not you?

China National Machinery Import & Export Corp. Liaoning Branch
Address: 135 Stalin Road, Dalian, China
Cable: "MACHIMPORT" DALIAN
Tel: 86157 DMCN CN Fax: 237196

Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel.: 01 223 11 30

Prices may vary according to market conditions and other factors.

June 16

Dollar Straights

Table listing bond prices for Dollar Straights, including issuers like Australia, Canada, and New Zealand with columns for Con, Mat, Price, Yld, and Trn.

France

Table listing bond prices for France, including issuers like B F C E, C F C E, and C N C E with columns for Con, Mat, Price, Yld, and Trn.

Germany

Table listing bond prices for Germany, including issuers like L T C B, B F C E, and C F C E with columns for Con, Mat, Price, Yld, and Trn.

Italy

Table listing bond prices for Italy, including issuers like I T C B, B F C E, and C F C E with columns for Con, Mat, Price, Yld, and Trn.

Japan

Table listing bond prices for Japan, including issuers like B F C E, C F C E, and C N C E with columns for Con, Mat, Price, Yld, and Trn.

United Kingdom

Table listing bond prices for United Kingdom, including issuers like B F C E, C F C E, and C N C E with columns for Con, Mat, Price, Yld, and Trn.

United States

Table listing bond prices for United States, including issuers like A T & T, Amoco, and Amstar with columns for Con, Mat, Price, Yld, and Trn.

Supranational

Table listing bond prices for Supranational, including issuers like Council Europe, E C C A, and E C C T R A with columns for Con, Mat, Price, Yld, and Trn.

DM Zero Coupons

Table listing DM Zero Coupon bond prices, including issuers like A D B, A D E, and A D F with columns for Con, Mat, Price, Yld, and Trn.

ECU Straights

Table listing ECU Straight bond prices, including issuers like A D B, A D E, and A D F with columns for Con, Mat, Price, Yld, and Trn.

Mutual Funds

Prices as of close of trading Friday June 17

Table listing Mutual Fund prices, including issuers like AAL, AAR, AAT, and AAV with columns for Bid, Ask, and Price.

Bid Ask

Table listing Bid and Ask prices for various securities, including US Gov, Treasury, and Corporate bonds.

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Table listing Bid and Ask prices for various securities, including US Gov, Treasury, and Corporate bonds.

Weekly Sales

June 16

Table listing Weekly Sales data, including columns for Category, Sales, and Volume.

Summary Market

June 16

Table listing Summary Market data, including columns for Category, Price, and Volume.

Libor Rates

June 17

Table listing Libor Rates data, including columns for Term, Rate, and Location.

Supranational

June 17

Table listing Supranational bond prices, including columns for Issuer, Price, and Yield.

DM Straights

June 17

Table listing DM Straight bond prices, including columns for Issuer, Price, and Yield.

DM Zero Coupons

June 17

Table listing DM Zero Coupon bond prices, including columns for Issuer, Price, and Yield.

ECU Straights

June 17

Table listing ECU Straight bond prices, including columns for Issuer, Price, and Yield.

Yen Straights

June 17

Table listing Yen Straight bond prices, including columns for Issuer, Price, and Yield.

Western Europe (Other)

June 17

Table listing Western Europe (Other) bond prices, including columns for Issuer, Price, and Yield.

DM Zero Coupons

June 17

Table listing DM Zero Coupon bond prices, including columns for Issuer, Price, and Yield.

Listing above does not include financial institutions or convertible bonds. All prices are in US dollars unless otherwise indicated. Prices are subject to change without notice.

Source: Credit Suisse First Boston Securities

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DM Zero Coupon Eurobonds advertisement featuring a car and the text 'DM Zero Coupon Eurobonds' and 'WestLB'.

Source: Credit Suisse First Boston Securities

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Source: Credit Suisse First Boston Securities

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FROM BULLET TRAINS MONDAY, JUNE 20, 1988

TO HOME ELECTRICS In Touch with Tomorrow TOSHIBA Page 11

EUROBONDS

The Dollar's Rebound Is Bringing Little Cheer

By CARL GEWIRTZ International Herald Tribune PARIS — The dollar hit a seven-month high last week. But instead of spreading cheer that the long decline from the 1985 peaks may finally have run its course, foreign officials grumbled, bond markets tumbled and analysts warned that it was all a jumble — that by year's end, the dollar could again be under attack.

The grumbling was provoked by fears of inflation. As the dollar rises, so does the cost of imported raw materials in West Germany and Japan. Most of these are priced dollars and most, except for oil, have been increasing sharply.

To put a number on it, economists at the Organization for Economic Cooperation and Development estimate that the 1.5 percent appreciation of the dollar — mostly up 11 percent from its 1988 low at 1.75 Deutsche marks — would raise consumer prices in Germany 0.4 percent in the first year and 0.8 percent by the second year. That's substantial, given that the year-to-year price rise in May was only 1.1 percent.

Add to the translation effects from dollars into marks (or yen) the fact that the cost of goods is also rising in dollar terms and the prospect of imported inflation appears great. On top of that is the constant worry of faster domestic inflation, the result of above-average growth in the money supply during the past two years.

One response to both problems is for central banks to sell dollars, which caps the dollar's tendency to rise and also reduces its volume of local currency in circulation. There's another benefit: Dollar sales create room for the central banks to resume intervention to support the dollar when it comes under attack.

Analysts expect the West German central bank could really start to unload dollars if the rate climbed past 1.75 DM. So far, sales have been modest, estimated at about \$6 billion in recent weeks. But they have not stopped the appreciation of the dollar, which has gained some 3 percent since the last week of May, vowing credence to reports that the Bundesbank will shortly raise money-market rates by a quarter-point.

EVEN long-time critics of West Germany's timid growth policy are urging a rise in interest rates. Rimmer de Vries, Morgan Guaranty's economist, said last week that this was the ideal moment for the Bundesbank to raise money-market rates. He said that the aim should be to drive the dollar down to 1.55 DM, a 13 percent appreciation for the mark.

Mr. de Vries said that earlier concerns about slow West German growth have been superseded by faster-than-expected growth in the seven major industrialized countries, now running about 4 percent, he estimated. This is sufficiently robust not to lead to worry about any slowing in West Germany resulting from modest increases in short-term interest rates.

The Japanese last week did some snuggling up of rates and that, coupled with the expected West German move, sent bond prices at all markets skidding, as investors assumed the United States would be obliged to follow.

The Japanese have been more successful than the West Germans in holding their currency in a narrow range, about 121-131 yen to the dollar.

A Bank of Japan is reported also to have been tightening up its dollar holdings, but in a less obvious way than the Bundesbank. The Bank of Japan reportedly lends dollars to domestic financial institutions, which then sell the dollars for yen. But until the central bank is repaid in yen, the dollars appear as its books.

At the same time, Japanese manufacturers remain big earners and sellers of dollars — an element missing in West Germany — helping a tighter lid on the exchange rate.

But the dollar's current strength is not regarded as sustainable. Brendan Brown, County NatWest economist, said the strength is "an exaggerated response" to the robust U.S. economic growth; the recent modest rise in short-term interest rates; and the decline in the U.S. trade deficit for April to \$9.9 billion, the first in 40 months.

Mr. Brown said he doubted the dollar's improvement could be sustained. He sees "no further improvement" in narrowing the trade deficit in coming months, as the high level of U.S. economic activity will sustain demand for imports.

Mr. de Vries estimates U.S. economic growth at a 3.5 percent annual rate in the current quarter and likely to hold that in the third quarter, little changed from the 3.9 percent registered in the first quarter. With U.S. industry working so close to capacity and near to full employment, he sees foreign manufacturers able to use U.S. sales prices without fear of losing additional business.

See EURO BONDS, Page 13

Currency Rates

Table with columns for Currency, Rate, and Date. Includes entries for Yen, Swiss Franc, West German Mark, etc.

Jan. in London, Tokyo and Zurich. Rates in other centers, New York closing rates. Commercial rates; to buy one dollar; to buy one yen; Units of 100; N.A.: not available.

See Dollar Values

Table with columns for Country, Currency, and Rate. Includes entries for Australia, Canada, Hong Kong, etc.

Forward Rates

Table with columns for Currency, Rate, and Term. Includes entries for Yen, Swiss Franc, West German Mark, etc.

See Last Week's Markets

All figures are as of close of trading Friday

Table with columns for Index, Date, and Change. Includes entries for Nikkei, Dow Jones, etc.

See Money Rates

Table with columns for Country, Rate, and Date. Includes entries for Japan, U.S., etc.

See Floating Rate Note Issue of U.S. \$225 million

The rate of interest applicable for the period beginning June 15th, 1988 and set by the reference agent is 7 3/4% annually.

Beef Pact Could Be In Sight

U.S.-Japan Talks Make Progress

Compiled by Our Staff From Dispatches TOKYO — Japanese and U.S. negotiators are likely to resolve a long-standing dispute over beef and citrus imports to Japan on Monday, Japanese officials said Sunday.

The officials said on Japanese television that the U.S. trade representative, Clayton K. Yeutter, and Japan's agriculture minister, Takashi Sato, would have a third and final meeting on liberalizing trade in the commodities on Monday morning.

The second of two meetings between Mr. Yeutter and Mr. Sato on Sunday produced an understanding on Japan's provisions for emergency beef-import curbs, a Japanese Agriculture Ministry official said on Nippon TV.

These provisions had been the major obstacle to an agreement. With that matter resolved, the two sides accepted an outline expected to be fleshed out and signed Monday, the officials said.

Reports on NTV and on the government's television station and by Japan's Kyodo news service all quoted only Japanese sources as saying an early agreement was expected.

After the first meeting, Mr. Yeutter had described the negotiations as not very productive, saying that "several obstacles" remained in the way of an agreement.

Sources in Tokyo said the United States had proposed earlier that Japan liberalize U.S. beef imports in three years, with the United States allowing Japan to impose emergency controls for two years after liberalization. Japan argued that the time limit would pose a threat to its farmers and insisted that emergency curbs be permanent.

Under the fiscal 1987 quota accord, which expired on March 31, Japan imported 214,000 tons of beef, 126,000 tons of fresh oranges and 8,500 tons of orange juice from the United States.

Washington has been demanding full liberalization of Japanese beef and orange imports.

(Reuters, AP)



The skyline of Houston, whose economy has strengthened as oil prices have recovered.

A Modest Recovery Begins in Texas

Improvement Omits Banking and Real Estate Sectors

By Thomas C. Hayes New York Times Service In the shadow of the spectacular boom-and-bust cycles of its oil and real estate markets, Texas is beginning a modest but unmistakable economic recovery, analysts said.

Although its financial institutions and commercial real estate sector continue to face turmoil, other areas are fashioning a recovery from the worst economic slump in the state since the Depression.

The turnaround has been fashioned out of steady oil prices, a shift to electronics and high-technology manufacturing, small-business growth, a healthy farm and ranch sector, a growing population and the improved outlook for U.S. exports because of the weak dollar.

"We are seeing slow, steady improvement that is sustainable and also laying the base for a much broader economic rebound," said Bernard L. Weinstein, director of the Center for Enterprise at Southern Methodist University in Dallas.

To be sure, Texas must overcome the calamity in its financial institutions, which had losses of \$20 billion in capital in the past three years, mainly because of major errors in oil and real estate lending.

A deepening crisis in real estate threatens to plunge the state back into recession if there is no reduction in the \$15 billion in foreclosed property held by banks and savings institutions in the state.

Yet, by most accounts, the state's economy has been on an upward swing for several months. M. Ray Perryman, head of the Baylor Forecasting Service at Baylor University in Waco, said he believed the overall economy was enjoying a "significant" recovery, although the financial and real estate troubles are hardly over.

Mr. Perryman warned that the improvement could be reversed by a drop in oil prices, a sudden rise in the dollar or a national recession. But he said he expected the Texas unemployment rate, 7.3 percent at the end of May, to fall to about 6.5 percent by the end of 1990, while the national rate rises. The national rate was 5.6 percent in May.

Texas gained 65,400 jobs in the 12 months ending in April, according to the federal Bureau of Labor Statistics, and rising personal income is a promising economic trend. The income rise has trailed the national average since 1982 but almost drew even in late 1987, the Commerce Department said.

Many economists said the broadening of the Texas economy means it will more closely track that of the entire United States.

"Ten years from now, the Texas economy will look very much like the national economy," said James L. Cochran, chief economist at Texas Commerce Bank in Houston. "It will never be average because of some special characteristics. But a diversifying trend has been under way for 10 years, and it will continue."

There are signs of health. The Dallas-Fort Worth area ranks third, after New York and Chicago, in a national listing of corporate headquarters. Texas is third, after California and New York, in the number of scientists and engineers. By 1990, it is expected to pass New York to trail only California in population.

David L. Birch, a specialist in small-business development at the Massachusetts Institute of Technology, said five Texas cities rank among the top 25 in the nation for newly created businesses.

"These cities responded to adversity with new starts and new attempts to be entrepreneurial," he said.

For the first time since oil prices collapsed in See TEXAS, Page 15

Local Governments: Fiscal Instability Beyond Washington

By John Meehan International Herald Tribune NEW YORK — After years of lecturing the U.S. government about the evils of deficit spending, experts are now casting a wary eye on state and local governments, where a pattern of rising spending and slowing revenue is threatening to undo a reputation of financial stability.

There is no suggestion that the problem is as severe as the fiscal crisis that befell cities in the mid-1970s. Officials still have dark memories of the years when thousands of municipal workers were laid off amid high inflation and weak economic growth. Solutions often were complicated by mismanagement, as in New York City.

To varying degrees, however, state legislatures, city councils and school boards are now finding it increasingly difficult to make ends meet.

Some economists are already warning of possible economic consequences as states and local governments raise taxes and reduce expenditures. Although this is a remedy often prescribed for Washington, the state and local administrations must act in most cases before still at a point where the economy is strong. If these governments are already living hand to mouth, it doesn't augur well for the future.

Few foreign observers of the U.S. economy pay much attention to fiscal matters beyond the city limits of Washington. The local governments, however, provide the majority of basic services to maintain the nation's infrastructure.

Local governments also wield considerable autonomy when it comes to fiscal matters. No other nation has as many governing bodies with as much taxing and spending authority as the United States.

Robert Reischer, an expert on state and local government fiscal matters at the Brookings Institution in Washington, added: "The most distressing thing is that we've shrined at lower levels of government. Aside from 50 state governments, there are 83,166 local governments in the United States, ranging from county and city administrations to sewer and recreation districts. They spent about \$775 billion in fiscal 1987, according to Mr. Reischer, and traditionally have accounted for 11 to 12 percent of the nation's gross national product.

Until recently, few analysts were worried. After massive assistance from Washington bailed out many of the nation's cities in the 1970s, state and local officials worked hard to regain financial stability, and succeeded in most cases, thanks to a sustained U.S. economic recovery. Indeed, critics of Washington's expanding deficit often cited the states as models of fiscal prudence.

However, in February, the Commerce Department reported that the deficit became apparent to auditors just weeks after the legislature enacted a \$2.4 billion spending package for the fiscal year that began April 1. Now officials are debating which programs to cut to make up for an estimated \$900 million shortfall.

"There's no massive this or massive that, but there certainly is a squeeze on spending," said Edward Joseph R. Cerrell, a Los Angeles political lobbyist hired by Farmers in April, took credit for arranging denunciations of the takeover attempt by four state Assembly members, three state senators and the city councils of Los Angeles, Orange and West Hollywood.

The commissioner's decision was announced after the close of stock trading, and Farmers shares closed Friday at \$62, up 62.5 cents, in over-the-counter trading, after rising 87.5 cents Thursday.

For the takeover to be a success, Batus needs the approval of each of the nine state insurance commissioners where Farmers has subsidiaries.

Only Arizona has approved, with other decisions pending in Oregon, Kansas, Ohio, Washington, Idaho, Texas and Illinois. Batus said it would continue seeking approval from the other states.

Farmers has been fighting the takeover bid by contending that it would pose a conflict of interest because the insurance company is a pioneer in nonsmoker discounts.

Batus owns the nation's third largest tobacco company, Brown & Williamson Tobacco Corp., makers of Viceroy, Kool and Raleigh cigarettes.

Ms. Gillespie stressed that the move was not influenced by intensive lobbying by Farmers. Some insurance department staff members have read the California law as banning takeovers by companies with even a single share in the hands of out-of-state government entities, she said.

In a 1984 opinion, however, the department's general counsel determined that a company that was 2 percent owned by out-of-state

Fed Study Finds U.S. Goods More Competitive

United Press International NEW YORK — Several factors have combined to increase the competitiveness of products made in the United States, and further improvements are likely, the Federal Reserve Bank of New York said.

The New York Fed cited a weak dollar, wage restraint, and improved productivity and quality for the increasing competitiveness of U.S. goods. Its findings were contained in a report for release Monday.

The full impact of the depression of the dollar, however, will not be felt until the end of next year, and continuing efforts to improve productivity and quality are foreseen at least through the end of the decade, the report said.

"U.S. manufacturing has clearly become more competitive in recent years," according to the report.

"This achievement was the result of sharp dollar depreciation, wage restraint and strong improvement in U.S. productivity and quality performances," it said.

"Over time, these positive trends should lead to greater U.S. competitiveness, with a concomitant decline in the U.S. foreign trade deficit and improved job opportunities and compensation for manufacturing employees," the study said.

The conclusions were based on an analysis of 11 "broadly defined industry groupings" in the 1980s. These were automobiles, paper, steel, electronic parts, pharmaceuticals, construction equipment, consumer electronics, machine tools, electric power generating equipment, textile machinery and general aviation aircraft.

The report estimated that the typical U.S. factory spends 20 to 25 percent of its operating budget finding and fixing defective products. This estimate does not include the cost of repairing products after they have been shipped from factories.

Quality problems were found in five of the industry groups. Two of these — steel and electronic parts — had eliminated their quality deficiencies by the end of the appraisal period," the report said.

The three other sectors are working to curb quality problems. In particular, "the U.S. automobile industry, a major producer facing quality problems, has launched a concerted drive to boost its quality reputation," the report said.

In addition to quality improvement and the weaker dollar, the report attributed growing competitiveness of U.S.-made products to "restrained wage growth." This, it said, "has also been very important for improving the relative U.S. price position."

Other factors contributing to the better U.S. price and quality position were "investment levels, technology efforts — spurred by research and development expenditures — industrial restructuring and, to a more limited extent, work reorganization."

The renewed U.S. research and development efforts suggest a continuing boost to competitiveness over the next several years," the report said, noting that the "generational lag between expenditure on research and development and the initial returns on that expenditure is about two years."

Order books remained above normal but were less buoyant than last month, the Confederation of British Industry, an employers' group, said in its June Industrial Trends survey.

The number of manufacturers expecting to raise their prices was a little higher than in May, but weaker order books suggested competitive pressures would continue to restrain price rises, the CBI added.

The report said 30 percent of companies surveyed expected their output to rise over the next four months, down from 34 percent recorded in May.

Export order books were weaker with only 2 percent of those surveyed reporting them above normal, half the amount in May. Only 21 percent of those surveyed expected their prices to rise in the next four months.

"Overall," said David Wigglesworth, head of the CBI's Economic Situation Committee, "this shows that order books are not quite as strong as in recent months, and this could be an indication that the rate of economic growth is starting to moderate to more sustainable levels."

He said it was important not to read too much into one month's figures, adding that the next survey would give a clearer picture of how the economy was likely to develop in the second half of the year.

The survey was carried out among 1,577 firms accounting for about half of the U.S. manufactured exports, the CBI said.

U.K. Output May Grow More Slowly

Reuters LONDON — British manufacturers expect output growth to slacken slightly over the next four months as demand slows, according to a report issued Monday.

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The number of manufacturers expecting to raise their prices was a little higher than in May, but weaker order books suggested competitive pressures would continue to restrain price rises, the CBI added.

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California Rules Against Batus Bid for Farmers

Los Angeles Times Service LOS ANGELES — In an unexpected decision, the California insurance commissioner has disapproved a \$4.35 billion hostile takeover bid by Batus Inc. for Farmers Group, the giant U.S. insurance holding company.

The commissioner, Rosamund M. Gillespie, on Friday invoked the state code, which provides that companies selling insurance in California cannot be owned or controlled by government entities from outside the state.

Including pension funds and nationalized industries, such entities own more than 10 percent of BAT Industries PLC, the London-based parent of Batus and the world's largest tobacco company.

In Louisville, Kentucky, Batus said it would appeal the ruling as unconstitutional, Reuters reported.

If the same interpretation were applied to other publicly owned insurance companies in California, Batus argued, several hundred companies would not be qualified to write insurance in the state, among them Farmers Group, Allstate, Transamerica, Cigna, CNA, Firemen's Fund, Geico and Travelers.

government interests could take over a California insurance company.

No single government entity owns more than 2 percent of BAT stock, according to a report from a department panel that held hearings into the matter in late May.

The evidence, however, did not establish whether pension plans and other governmental shareholders ever act in concert to control BAT business decisions, the commissioner said.

Joseph R. Cerrell, a Los Angeles political lobbyist hired by Farmers in April, took credit for arranging denunciations of the takeover attempt by four state Assembly members, three state senators and the city councils of Los Angeles, Orange and West Hollywood.

The commissioner's decision was announced after the close of stock trading, and Farmers shares closed Friday at \$62, up 62.5 cents, in over-the-counter trading, after rising 87.5 cents Thursday.

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Farmers has been fighting the takeover bid by contending that it would pose a conflict of interest because the insurance company is a pioneer in nonsmoker discounts.

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Ms. Gillespie stressed that the move was not influenced by intensive lobbying by Farmers. Some insurance department staff members have read the California law as banning takeovers by companies with even a single share in the hands of out-of-state government entities, she said.

In a 1984 opinion, however, the department's general counsel determined that a company that was 2 percent owned by out-of-state

BUSINESS SCHOOL LAUSANNE Seminar M.B.A. Master of Business Administration

MONTEREY TRUST S.A. Société anonyme d'investissement Registered office: Luxembourg, 14, Rue Aldringen

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS The Annual General Meeting of Shareholders of MONTEREY TRUST S.A. will be held at its registered office at Luxembourg, 14, Rue Aldringen, on June 28th, 1988, at 15:00 hours for the purpose of considering and voting upon the following matters:

INTERMARKET FUND Société Anonyme Siège social : Luxembourg, 2, boulevard Royal, L.C. Luxembourg B-9622

BANQUE NATIONALE DE PARIS Floating Rate Note Issue of U.S. \$225 million June 1981-96 The rate of interest applicable for the period beginning June 15th, 1988 and set by the reference agent is 7 3/4% annually.

New International Bond Issues

Compiled by Bassam Loun

Issuer	Amount (millions)	Maturity	Coupon %	Price	Price end week	Terms
LOADING RATE NOTES						
London Savings Association	\$504.15	2004	libor	100	—	Coupons will be 3-month Libor + 1.15. Average life 4 1/2 years. Fees 0.15%. Denominations \$100,000.
West & West Building Society	£150	1993	1/16	100	—	Over 6-month Libor, set monthly. Noncallable. Fees 0.35%.
Westwich Equitable Building Society	£200	1993	3/4	100	—	Over 3-month Libor. Noncallable. Fees 0.35%. Denominations £10,000.
Westbank	¥10,000	1993	0.02	101 1/2	—	Over the Japanese long-term prime rate, semiannually. Redemption amount or maturity will be linked to the performance of the Nikkei 225 Index. Noncallable. Fees 1.5%. Denominations 100 million yen.
DEB-COUPON						
Algium	\$250	1998	9%	101 1/2	98.83	Noncallable. Fees 2%. Denominations \$100,000.
P. America	\$100	1989	9%	101 1/2	—	Noncallable. Fees 3%. Denominations \$1 million.
Campbell Soup	\$100	1991	8 1/4	101	99	Noncallable. Fees 1.5%.
Coca Cola Enterprises	\$150	1991	8 1/2	101.10	—	Noncallable. Fees 1.5%.
Electricite de France	\$150	1998	9%	101 1/2	98.63	Noncallable. Fees 2%.
General Motors Acceptance Corp.	\$250	1990	8 1/4	100.925	—	Noncallable. Fees 1.5%.
Harford Finance	\$100	1991	8 1/4	101.05	—	Noncallable. Fees 1.5%.
IF Finance Corporation	\$100	1994	8%	101 1/2	—	Noncallable. Fees 1.5%. Denominations \$100,000.
Industrialfinanz AG	\$100	1993	9	100 1/4	97.63	Noncallable. Fees 1.5%.
Societe Nationale des Chemins de Fer	\$150	1998	9%	101 1/2	98.95	Noncallable. Fees 2%.
Short	DM 175	1993	5 1/2	100 1/4	—	Noncallable. Fees 2%.
National Bank of Hungary	DM 200	1994	6 1/4	100 1/4	99.00	Noncallable. Fees 2.5%.
European Investment Bank	FF 1,500	1995	8 1/4	101 1/2	99.63	Noncallable. Fees 1.5%.
IF Finance Corporation	RM 250	1995	9%	100 1/2	—	Noncallable. Fees 1.5%.
Alberta Province	CS 500	1992	10	101 1/2	99.93	Noncallable. Fees 1.5%.
American Express Overseas Credit	CS 50	1991	10	101.20	99.50	Noncallable. Fees 1.5%.
General Motors	CS 125	1995	10 1/4	101 1/2	98.13	Noncallable. Fees 1.5%.
Alibaba Luxembourg	CS 60	1991	10	101 1/2	100.05	Noncallable. Fees 1.5%.
Bank of Montreal	CS 150	1991	9%	101 1/2	99.63	Noncallable. Fees 1.5%.
Alcan International Luxembourg	Aus 50	1992	13	101 1/2	99.75	Noncallable. Fees 1.5%.
Crédit Commercial de France	Aus 50	1991	13 1/4	101 1/2	100.00	Noncallable. Fees 1.5%.
New Zealand	Aus 200	1995	8	83 1/2	—	Yield 12.19%. Noncallable. Fees 2%. Denominations \$10,000.
Osterreichische Landesbank	Aus 50	1991	13 1/4	101 1/2	99.25	Noncallable. Fees 1.5%.
Verenigde Oostindische Handelbank	Aus 50	1993	7.65	100	—	Noncallable. Redemption of maturity in Australian dollars and yen, with interest linked to foreign-exchange levels. Fees 2%. Denominations Aus\$100,000.
Yamanashi Bank	¥10,000	1993	zero	81.585	—	Yield 4.64%. Redeemable and callable at ¥1.23 in 1991. Proceeds \$ billion yen. Fees 1.5%. Denominations 10 million yen.
Yamanashi Bank	¥10,000	1994	2	101.225	—	Coupon will be 2% in first 2 years, 2.5% in 1990, 3% in 1991, and 3.5% thereafter. Fees 1.5%. Denominations 100 million yen.
Compagnie Bancaire	¥5,000	1993	5	101 1/2	—	Noncallable. Fees 1.5%. Denominations 10 million yen.
Compagnie Bancaire	¥6,000	1993	2	101 1/2	—	Coupon will be 2% until 1990 and 2.5% thereafter. Noncallable. Fees 1.5%. Denominations 100 million yen.
State Bank of New South Wales	¥20,000	1993	9	113 1/2	—	Coupon will be 9% until 1990 and 9.5% thereafter. Noncallable. Fees 1.5%.
Westbank	¥5,000	1993	2 1/2	101 1/2	—	Coupon will be 2.5% until 1990 and 3.0% thereafter. Noncallable. Fees 1.5%. Denominations 100 million yen.
CURRY-LINKED						
Alcoa	\$400	1993	open	100	99.00	Coupon indicated at 4 1/2%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of an expected 25% premium. Fees 2.5%. Terms to be set June 22.
Photo Film	\$400	1992	open	100	102.50	Coupon indicated at 3 1/2%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of an expected 25% premium. Fees 2.5%. Terms to be set June 21.
Goodyear Tire & Rubber	\$150	2003	6%	100	98.00	Callable at 103 in 1991. Convertible at \$804 per share, or 20% premium. Fees 2.5%.
Union Synthetic Rubber	\$100	1993	4	100	103.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of 1,117 yen per share and at 127.00 yen per dollar. Fees 2.5%.
Alcoa Securities	\$100	1993	4 1/2	100	102.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of 1,117 yen per share and at 127.00 yen per dollar. Fees 2.5%.
Magnum	\$400	1993	open	100	100.00	Coupon indicated at 4 1/2%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of an expected 25% premium. Fees 2.5%. Terms to be set June 22.
Asahi Kasei	\$200	1993	4	100	101.75	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of 1,261 yen per share and at 127.25 yen per dollar. Fees 2.5%.
Asahi Kasei Chemical	\$200	1993	open	100	100.00	Coupon indicated at 4 1/2%. Noncallable. Each \$10,000 note with one warrant exercisable into company's shares of an expected 25% premium. Fees 2.5%. Terms to be set June 20.
Koson Securities	\$50	1993	open	100	101.00	Coupon indicated at 4 1/2%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of an expected 25% premium. Fees 2.5%. Terms to be set June 21.
United Leasing	\$50	1992	open	100	101.00	Coupon indicated at 3 1/2%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of an expected 25% premium. Fees 2.5%. Terms to be set June 22.
Alcoa Department Store	\$200	1993	open	100	100.00	Coupon indicated at 4 1/2%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of an expected 25% premium. Fees 2.5%. Terms to be set June 22.
Alcoa Land	\$150	1993	4	100	101.75	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of 994 yen per share and at 126.20 yen per dollar. Fees 2.5%.
Forge Coppie	FF1,520	1997	6 1/4	100	100.25	Callable at 105 in 1992. Convertible into company's shares of 1,520 French francs per share, or 12.66% premium. Fees 2.5%.
Asahi Kasei Chemical	DF 150	1993	open	100	—	Coupon indicated at 3 1/2%. Noncallable. Each 10,000-guilder note with one warrant exercisable into company's shares of an expected 25% premium. Fees 2.5%. Terms to be set June 20.
Alcoa	ECU 100	1993	open	100	98.50	Coupon indicated at 3 1/2%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of an expected 25% premium. Fees 2.5%. Terms to be set June 22.

EUROBONDS: No Cheers as the Dollar Rebounds

The new-issue calendar for fixed-income debt was the third busiest of the year at \$1.45 billion. That's equal to half the amount raised in this sector during May. Especially noteworthy last week were three issues with a maturity of 10 years. So far this year, only 10 long-dated issues have been marketed. Bankers attributed the sudden popularity to a desire on the part of investors to pick up higher income on long-dated paper. There was also a large amount of switching by institutions, selling seasoned sovereign paper trading at thin margins of 10 to 15 basis points over U.S. Treasury rates to move into the new, higher-yielding paper. Belgium sold \$250 million to yield 65 basis points, or 0.65 of a percentage point, more than comparably dated U.S. government paper, while the state-guaranteed Electricite de France and SNCF each sold \$150 million to yield 51 basis points over the benchmark rate. Belgium paid more, because its notes are registered and offered only in large denominations of \$100,000, in contrast to the bearer bonds preferred by the market.

Short-dated paper, up to now the favored instrument because of the minimized exposure to interest rate increases, also was in evidence and remained popular with retail investors, particularly in Switzerland. But by week's end, with the New York bond market down sharply, all the new issues traded outside the fees paid to underwriters. The Canadian-dollar sector saw the largest single issue yet, 500 million dollars for Alberta. Investors like the size, as it assures a liquid after-market. But at the offering price, it remains a question what kind of a bargain it is for investors. Alberta tapped the Euro market because it's cheaper than domestic financing and as domestic paper is free of withholding tax to foreign investors, higher-yielding paper can be bought in Canada. But this is also true for U.S. issuers tapping the Euro market, and that has not stopped investors from buying new issues. Retail institutional investors continue to be attracted to the Canadian dollar because of the higher yields than on U.S. paper.

investors who had been lulled by a strengthening dollar and the weekly decline in interest rates to a two-month low rushed to get into the dollar bond market. I found an ample supply of new issues — from borrowers who had been awaiting an opportunity to lock in relatively low rates. By week's end, the issuers were looking smart with bond yields up 1/4 pt.

Banks Set Terms of European Disneyland Loans

By Carl Gewirtz
International Herald Tribune
PARIS — Underwriters of the financing that EuroDisneyland is to raise later this year met here last week to sort out the details of the complicated structure of the loan. In all, seven banks have agreed to underwrite a package of bank credits that is expected to total 7.2 billion French francs (\$1.22 billion), of which not more than a third will be in foreign currencies. The seven are Banque Nationale de Paris, Citicorp, Caisse Nationale de Crédit Agricole, Deutsche Bank AG, J.P. Morgan & Co., Long-Term Credit Bank of Japan Ltd. and Swiss Bank Corp. The main portion of the 18-year loan will be a 5 billion franc syndicated credit. In addition, there will be a letter of credit facility — the foreign currency portion — and a stand-by facility to cover cost overruns. Banks participating in the transaction will be expected to take pro-rata shares in all the facilities. The loans are expected to reach the market at the end of the summer, but drawings will not be permitted until the equity of EuroDisneyland has been arranged. Walt Disney Co. has an option of taking a stake of no less than 16 percent

not more than 49 percent. The final amount has not yet been decided, but the equity to be sold to the public will not exceed 1 billion francs. Participants at the Friday meeting said the terms of the loans had been agreed upon but refused to divulge them. **INTERNATIONAL CREDIT** been agreed upon but refused to divulge them. The market for franc loans remains active, but terms are hardening. Facility fees, which last year hit a low of 4 basis points, are now in the low teens and drawing charges also are rising. In part, this reflects the heavy past activity — banks are becoming more selective — and the fact that many of the best-quality names have already tapped the market. Alitalia is currently seeking 600 million francs for five years. It will pay 15 basis points over the interbank rate for the first three years and 17.5 basis points thereafter. Banks underwriting 60 million francs will earn a front-end fee of 12 basis points. There are no utilization charges and no commitment fees because the loan will be drawn in full immediately. Epeda Bertrand Faure, the lead-

ing European maker of seats for automobiles, is seeking 400 million francs for five years with the possibility to extend to seven years. Interest is set at 18 basis points over the interbank rate, the annual facility fee is 12.5 basis points and utilization fees total 2 basis points for drawing up to half the loan and 5 basis points for drawing more than half. Banks underwriting 50 million francs would earn fees of 6 basis points. Rallye, a supermarket chain, is seeking 500 million for five years, extendable to seven. Interest is set at 17 1/2 basis points over the interbank rate for drawing foreign currencies and 20 basis for drawing in francs. The annual facility fee is 15 basis points, there is a utilization fee of 5 basis points for drawing more than half the total and front-end fees range up to 6 basis points for banks underwriting 75 million francs. Pinaut, a wood-products company, is seeking 500 million francs, which the company specified will not be used for takeovers. The five-year facility, extendable to seven years, carries an annual fee of 15 basis points, a drawing charge of 20 basis points over the interbank rate and utilization fees of 3 basis

points for drawing more than one third of the amount and 6 basis points for drawing more than two thirds. A front-end fee of 7 basis points is to be paid to banks underwriting 75 million francs. Guyonmarc'h, an agro-food company in Brittany, will be next in the market, for 500 million francs, bankers reported. In the dollar sector, St. Paul Cos. is seeking a \$300 million, five-year revolving credit that can be used to back the sale of commercial paper. It will pay a commitment fee of 8 basis points on undrawn amounts, 18.75 basis points over the interbank rate to draw and front-end fees of 5 basis points to banks underwriting \$30 million. Public Power Corp. of Greece is expected to come to the market this week after long discussions with banks over terms. Bids from competing syndicates totaled \$2 billion, bankers reported, but when the \$150 million loan comes to the market, it will take some time. That is because banks are eager to be the lead manager but not willing to join someone else's deal. Algeria is also said to be seeking bids for a \$150 million loan.

Chinese Bonds Pose a Problem For Taiwan

TAIPEI — Taiwan's government has been confronted with a potentially crippling problem: It is being asked to redeem bonds issued more than 40 years ago in China. Taiwanese visitors to China are returning with stacks of bonds sold on the mainland by the Nationalists before they were driven to Taiwan by the Communists in 1949. Financial officials say tens of billions of dollars worth of bonds were issued in the final years of Nationalist rule, when the country was locked in civil war and ravaged by inflation. Some of the bonds are in private hands and some were seized by the Communists during the war. If they were all cashed in, Taiwan would be bankrupt, officials say. Taiwan has refused to recognize the bonds brought back since a ban on travel to China was lifted last year. Officials said they were worried that Beijing may also seek payment. Taiwan would "seriously consider" repaying the bonds if the Nationalists return to power in Beijing, an official said.

East German Airbus Purchase Said to Be Nearly Complete

BONN — A deal to sell three Airbus A-310 jets to the East German state airline will be signed within two weeks, a senior West German government official was quoted as saying on Sunday. Die Welt, a Bonn daily newspaper, released an interview of Erich Riedl, state secretary of the Interior Ministry, in which he denied a previous report that the sale was tied to a reported credit of 1 billion Deutsche marks (\$570 million) for East Germany. The credit reportedly is being prepared by a West German consortium led by Deutsche Bank AG. "In the next 14 days, a contract with the East German company Interflug on delivery of three Air-

bus jets will be signed," Mr. Riedl said in the interview, which was released before its planned publication on Monday. He added that Interflug would sign a contract only with secured financing. On Saturday, the Hamburg-based weekly Der Spiegel reported the deal, but said it was tied to the 1 billion-DM credit. Because an A-310 is priced at 120 million DM, such an arrangement would leave East Germany with around 600 million DM for other purchases. The Coordinating Committee for Multilateral Export Controls, the Paris-based Western body that monitors high-technology exports, last week gave permission for the

sale of three of the medium-range Airbus planes to Interflug, provided they were serviced in the West. The decision by COCOM, which includes Japan and all NATO members except Iceland, cleared the way for the first sale of Western high-technology aircraft to the East. East Germany will grant the West German carrier Lufthansa landing rights at Dresden as part of the Airbus deal, while Interflug will receive permission to land in Hannover, Der Spiegel said. Both cities are hosts to major industrial trade shows. Premier Franz Josef Strauss of the West German state of Bavaria, who also is chairman of Deutsche Airbus GmbH, the German mem-

ber of the four-nation Airbus Industrie consortium, was arranging the credit for East Berlin at 4.9 percent interest over 16 years. Friedhelm Ost, a government spokesman, said Bonn was not involved in setting up any credit for East Germany. It was "a question for the banks alone," he said. Der Spiegel, in its story made available before publication on Monday, said Lufthansa will also train East German pilots on the Airbus planes. Diplomatic sources in Paris said Lufthansa would provide all servicing on Interflug's new Airbus planes to avoid the risk of sensitive technology being used for military purposes.

ROYCO INVESTMENT COMPANY
Gross Surplus
Month May 1988 4,99%
Jan. 1st - May 31st 19,79%
For further information contact:
The Marketing Office
ROYCO INVESTMENT COMPANY SA
8 Rue Thalberg
CH-1201 Geneva
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Called HALIFAX DEPOSIT INTERNATIONAL it's a sterling based deposit account open to all those not ordinarily resident in the UK.
If this includes you, then your investment can start with a minimum of £1,000 at the substantial rate of 7.75%. From there the interest rate rises on the whole investment as your balance steps up as follows:-

AMOUNT	INTEREST RATE	C.A.R.*
£1,000	7.75%	7.90%
£10,000	8.25%	8.42%
£25,000	8.75%	8.94%
£50,000	9.00%	9.20%

If adding or withdrawing money alters your balance band, the interest rate is automatically adjusted.
Your interest is paid gross without tax deducted, and is added twice yearly. So if you leave your full interest intact for the whole year you will receive a higher compounded annual rate (C.A.R.*).
Unlike some other accounts there is no minimum time limit for your deposit, and you can have instant access with no penalties. You're even entitled to standing orders and direct debits.
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Full Name _____ Title _____
Address _____
Nationality _____ Tel No _____
This sum is being invested in HALIFAX DEPOSIT INTERNATIONAL by me/us as sole/joint beneficial owner(s).
Signature _____ Date _____ 006/00003

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July 1988

WORLD STOCKS IN REVIEW / Via Agence France-Presse

Amsterdam

Prices finished the week slightly higher after moving up to a record of 259.2 on the ANP-CBS index...

during the week after drawing strength from the U.S. trade figures but slipping on fears of inflation.

Assembly but rather to fears of higher interest rates. The main conversation topic on the Bourse during the week was the unprecedented scandal at the Society of French Stock Exchanges...

The market was closed Saturday. The Nikkei rose every day, but the composite index had a 2.80 yen loss on Thursday...

TEXAS: Modest Recovery Begins; Banking and Real Estate Are Left Out

(Continued from first finance page)

1986, Houston is the most economically buoyant city in Texas. Small manufacturing companies — mainly those dealing with oil field services, petrochemicals and shipping — are fattening their payrolls to levels unseen in years.

It's a very healthy way to grow if you're in a recovering mode," Mr. Cochran said. Many energy-related companies lost hundreds of millions of dollars after the price of West Texas intermediate crude plunged from \$27 to below \$10 a barrel by spring 1986.

On the Memorial Day holiday weekend in June, 75,000 people flocked to the formal opening of Sea World in San Antonio, a symbol of new tourism — and jobs — in the river city.

Milan

Stock prices scored modest gains, with the Comiti index rising to 488.29 from 483.14 a week earlier.

Interest concentrated on Fiat shares, which rose by 1.60 percent on the week, and especially on the Ferruzzi Montedison Group...

Singapore

The Singapore stock market rallied on news of the sharply reduced April trade deficit in the United States.

Zurich

Zurich stocks posted modest gains. The Credit Suisse index finished at 462.4 against 455.3 the previous Friday...

Frankfurt

Stocks posted moderate gains, with the Commerzbank index rising 10.5 points to 1,428.2 points on Friday, the last day of trading...

Paris

Fears of rising interest rates hit Paris stock prices this past week, sending the CAC index down to 343.2 from 350.4 a week earlier.

Tokyo

Prices on the Tokyo Stock Exchange rallied, with the closely monitored Nikkei stock average hitting three consecutive all-time highs Wednesday through Friday.

Hong Kong

The Hang Seng Index rose more than 70 points to a post-collapse high in a week of buoyant trading. The Hang Seng Index closed Friday at 2,718.02 points, an increase of 70.60 points over the previous week.

London

Stock prices showed little change

A deepening crisis in real estate threatens to plunge the state back into recession if there is no reduction in the \$15 billion in foreclosed property.

After losing 142,000 jobs in the 14 months ending in January 1987, Houston is now adding about 4,000 jobs a month. That is a trickle compared with the more than 17,000 jobs it was adding during the oil boom in the early 1980s...

Group, started advertising for borrowers needing \$1 million or less in short-term financing. He figured that small businesses were starved for bank loans.

Chemicals were slightly higher. Ciba-Geigy bearer stock rose 65 to 3,290.

Real estate remains a problem. Cutbacks in construction have stalled job growth, but most laid-off construction workers apparently have left the state, said Ron Whitten, president of M-PF Research Inc.

High technology is also a plus. Harden Wiedemann, president of the North Texas Commission, estimated that high-technology manufacturing would make up 16 percent of the area's industrial base by the turn of the century...

Treasury Bonds

Table with columns: Maturity, Bid, Ask, Yield, and Wtd. Avg. Yield. Includes data for various Treasury bonds.

U.S. Consumer Rates

Table with columns: Item, Rate, and Source. Includes data for Treasury Bonds, Money Market Funds, and Bank Money Market Accounts.

INTERNATIONAL POSITIONS. You will find below a listing of job positions published last Thursday under the rubric International Positions. Table with columns: TITLE, SALARY, EMPLOYER.

For special occasions. Like today. Advertisement for a beverage featuring a bottle of wine and glasses.

Your Oxford Summit. For three days this September, world business and academic leaders will meet at Oxford. You should be among them. Advertisement for the Oxford Summit conference.

Rockwell International. where science gets down to business. Advertisement for Rockwell International, featuring a building and text about their focus on aerospace, electronics, and telecommunications.

MONDAY SPORTS

Test of So-So Teams

By Ken Denlinger
Washington Post Service
INGLEWOOD, California — By Sunday night, something monumental in professional basketball would have taken place — either the Los Angeles Lakers moving closer to becoming the first repeat champions in 19 years or the Detroit Pistons winning the National Basketball Association title for the first time ever.

Too bad neither team is especially good.

That's speaking historically, of course, for nobody who endures 82 regular-season games and then throws a victorious fist aloft after nearly two months of play is lousy. Whichever team wins will be a worthy and deserving champion.

Still, near-unique moments such as these spawn tough questions. Such as: In the sweep of pro basketball history, where will these Lakers and Pistons rank? Not particularly high.

Lakers Tie Series

Compiled by Our Staff From Dispatches
INGLEWOOD, California — The Los Angeles Lakers beat the Detroit Pistons, 103-102, Sunday on Kareem Abdul-Jabbar's two free throws with 14 seconds left, forcing the National Basketball Association's championship series to a seventh and deciding game that will be played here Tuesday night.

If the Lakers prevail, their problem will be comparisons with themselves, past and present. Five titles in the 1980s, and counting, is Boston — awesome. The only other non-Celtic team with any sort of decade dominance was not the Magic Johnson Lakers but the George Mikan Lakers, in the '50s, when they were in Minneapolis.

Until March 10, this gang of Johnson's was as fine as anyone had ever seen. He and James Worthy and Kareem Abdul-Jabbar had combined for two titles already and were 49-10 at the time. Then Johnson reinjured his right groin muscle and the Lakers have been struggling since. Without him for 19 games they were 9-10; with him, they are 10-9 in the playoffs since sweeping San Antonio.

They still have not lost this season when their jerseys were pinned flat against the backboard.

A Los Angeles survival would be accomplished by no better than the

third- or fourth-best Laker team of the '80s, but with such age and lack of depth, folks here have come to expect a basketball Oscar each year.

Johnson led the Lakers to their first championship of the '80s, with a 42-point, 15-rebound, 7-assist performance as the center replacement for Abdul-Jabbar against Philadelphia. Every team since has been molded around Johnson. He has made jump shooters like Byron Scott and swift rebounders like A.C. Green lots better than they would be elsewhere.

So far in these playoffs, the Lakers have created a burden too heavy even for Johnson. A 41-year-old scoring 11 more points than any of his teammates, as Abdul-Jabbar did in Game 5, is an accurate barometer of doom.

The Pistons? No one is quite sure yet what to make of them. More than anything else, they are a team of the '60s one victory shy of winning a title in the late '80s.

What's special about them? Who, years from now, will be recalled with great affection? Like the Lakers, the Pistons are competing against ghosts — the 1980s Celtics.

Part of the reason for the Laker-Celtic matchups the last four years being so thrilling was that at least one phase of basketball seemed to be taken to a new level. Larry Bird, Kevin McHale and the vastly underappreciated Robert Parish was the best front court ever in the NBA.

With Johnson, who redefined the point-guard position, the Lakers were the ultimate in speed and grace. They even had enough depth to play trench-ball against the Celtics in the 1985 finals.

You look at the Pistons and see a 6-foot-5 (1.95-meter) player, Adrian Dantley, comfortable close to the basket and a near-7-footer, Bill Laimbeer, getting most of his points on long-distance shots.

Isiah Thomas is — fast, a fine shooter and beautiful passer. A former Piston, Dave Bing, was as good; Tiny Archibald, at times, was better. Dantley is the pivotal Piston, and a true throwback — front-court players in the 6-5 range have been extinct for some time, haven't they? If the NBA kept hockey-like statistics, Dantley would have lots more assists, because the second pass after a Laker double-team produces the Piston basket.

So Dantley is quite a lot like his team and the one they are trying, with bump-and-grind success, to unseat. Good: appealing. But likely, long-term, to be relegated to the shadows by even more brilliance.

Senna Wins In Detroit; Prost Is 2d

The Associated Press
DETROIT — The winning beat continued for Ayrton Senna and the McLaren-Honda team as the Brazilian overwhelmed teammate Alain Prost and the rest of the field in Sunday's Detroit Grand Prix Formula One race. Senna drove to his third straight victory on the dicey downtown circuit, as well as his third triumph of 1988.

Coming off an easy victory in the Canadian Grand Prix a week earlier, Senna, 28, easily outdistanced Frenchman Prost, the two-time world champion who has won this season's other three races. It was the fourth time this year that the McLaren tandem has finished one-two.

Driving conservatively in the final stages of the 63-lap, 157.44-mile (253.45-kilometer) event, Senna beat Prost to the finish line by 38.713 seconds. Senna had led by 60.368 seconds with six laps to go. Prost still leads Senna in the season point standings, 45-33.

Third place Sunday went to Thierry Boutsen of Belgium, whose Benetton-Ford finished more than one lap behind. Andrea de Cesaris of Italy, in a Rial-Ford, was fourth.

Only nine of the 26 starters were running at the end of the attrition-filled race. The asphalt track was particularly slippery with temperatures in the mid-50s centigrade (high 80s Fahrenheit), and tire wear was a problem because of concrete patches in the racing surface.

Soviets, Dutch Gain Semis

Compiled by Our Staff From Dispatches
BONN — The Soviet Union and the Netherlands advanced to the semifinals of the European soccer championships with triumphs Saturday, as rioting marred the tournament for a sixth straight day.

In Frankfurt, the Soviets defeated England, 3-1, and the Netherlands edged Ireland, 1-0, with a late goal in Gelsenkirchen. West Germany, which beat Spain, 2-0, Friday in Munich to reach the last four, will play the Netherlands in Hamburg on Tuesday. In the other semi, the Soviet Union will face Italy in Stuttgart on Wednesday; Italy went through with a 2-0 victory over Denmark Friday in Cologne (see Scoreboard).

England's exit came as a relief to West Germans, who endured six nights of drunken brawls by English fans. Police hoped the fans, who lived up to their reputation for hooliganism in Stuttgart, Düsseldorf and Frankfurt, would follow their team home.

In the early-morning hours before the USSR-England match, English fans went on a rampage around the main Frankfurt railway station and in the center of the city. A police spokesman said the fans damaged automobiles, picked fights with West Germans and threw stones and beer glasses. On Saturday afternoon, just before the game, 35 more intoxicated Britons were detained, the spokesman said.

Sixteen members of the Eagle Front fan club, a West German group professing right-wing extremism and many of whose members bear neo-Nazi tattoos, were arrested by Frankfurt police so they could not clash with the English.

By late Saturday the number of arrests connected with fan violence and rowdiness at the championships in five West German cities had risen to more than 700.

England went down to its third successive defeat — marking the first time it has failed to win a single point in 11 major tournaments, including eight World Cups and three European championships.

Goals from Sergei Aleinikov in the third minute, Alexei Michailichenko (28th) and substitute Viktor Pasnko (73d) gave Coach Valeri Lobanovskiy's team a victory far more convincing than the score suggests.

Tony Adams briefly gave England some hope when he headed



Vagis Chidiyatulin, after his collision with England's Mark Hateley.

home Glenn Hoddle's free kick to tie the score in the 12th minute. But Oleg Protosov hit a post and missed two other chances in the opening 12 minutes and came close twice more in the second half.

The winners' defense dealt easily with an impotent attack from an England team that had led qualifying competition with 19 goals.

"We got off to the most miserable of starts," said England's manager, Bobby Robson, "which obviously made it very edgy. We lost confidence and our passing went. We got ourselves into awful trouble."

Robson blamed poor defensive play for all three Soviet goals and said that had widened the margin of defeat. "All the damage was done in the first half. In the second half, we were always in the game and our passing picked up," Robson added.

He said that England might have given a far better account of itself in the tournament if it had ever taken the lead. "If we had ever gone in front, it would have made such a difference," he said.

Although spirits in the dressing room were low, he said he would not be making wholesale changes for the qualifying tournament for the 1990 World Cup finals. "I can't throw away what's good," he said. "I have to be careful. We have to play well and win matches, and I can only experiment gradually. I mustn't overexperiment, but if I have to build I'll build. I won't panic."

The Soviets' only problems were injuries to Igor Belanov and Vagis Chidiyatulin. Belanov, the 1986 European player of the year, limped off a minute before halftime, and Chidiyatulin left the field bloodied after banging heads with Mark Hateley just before the final whistle.

The Netherlands, which had to win to advance, was only eight minutes away from elimination when substitute Wim Kieft headed the

winner under rather favorable circumstances. "Their goal was a fortunate one," said Ireland's manager, Jack Charlton. "Somebody said the linesman put his flag up offside and then put it down."

"But when your players are for 90 minutes in that heat, most are proud of them," Tony Adams on the field reached 33 degrees centigrade (85 Fahrenheit) or headed a curving ball beyond reach of Irish goalkeeper Paddy Bonner. "We had to win and clock was ticking," Michailichenko said. "But we remained patient."

Led by such world stars as Gullit and Marco van Basten, the Netherlands had besieged the goal with shots and headed throughout the match, but had also threatened — Paul McGin heading against a post in the 11th minute.

Michailichenko considered his critical. "If McGrath had got with his header, it would have been extremely difficult for us to win," he said. "The Irish have a very effective defense. The game turned on decisive moments — McGrath's header and our goal." (UPI)

Referees Named
The European Football Union announced Sunday that Michel Vautour of France will referee Sunday's soccer final in Maastricht, and substitute referee will be from Hamburg.

Romanian Ion Igna will referee Tuesday's semifinal between West Germany and the Netherlands in Hamburg; Alexis Pomet of Belgium will referee the other semifinal between Italy and the Soviet Union, Wednesday in Stuttgart.



With the Dutch minutes away from elimination, Wim Kieft headed the winner past goalie Paddy Bonner.

French Rugby Squad Beats Argentina, 18-15

Agence France-Press
BUENOS AIRES — France beat Argentina in rugby Saturday, 18-15, with a try in the second half by Philippe Dintaras converted by Philippe Berot, who had earlier kicked four penalty goals.

Argentina's points, all in the first half, came from a try by Juan José Angelillo, the conversion and two penalty goals by Daniel Bessit and a drop by Fabian Turnes. The second and final test is scheduled for next Saturday.

ACROSS

- Strong scents
- Actress
- Gardner
- Complainer
- Fall flower
- Unless, in law
- Tramp
- Simple piano tune
- Margarine
- Kind of sphere
- Yale name
- Jacket parts
- Harsh sounds
- Kindergarten awards
- Put away for safekeeping
- Wash — comics hero
- Put two and two together
- High nest
- City in Pa.
- Kind of estate
- Kind of rocket
- Harvard rival
- Theater org.
- Superties
- Composer
- Rorem
- Post-office item
- One of one's own medicine
- Examiner
- Buchwald or Linkletter
- O.T. book
- Heat: Comb. form
- Sports centers
- Joe de vivre
- G.O.P. candidate
- Tennis swing
- Former Congolese prime minister
- Race-track figure
- What rookies must learn
- Rung
- Equal: Prefix
- Immobile

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WEATHER

EUROPE				ASIA				NORTH AMERICA			
City	High	Low	Cond.	City	High	Low	Cond.	City	High	Low	Cond.
Algeria	68	48	bc	Bangkok	82	72	bc	Anchorage	58	48	bc
Amsterdam	58	48	bc	Beijing	82	72	bc	Atlanta	68	58	bc
Athens	72	52	bc	Hong Kong	82	72	bc	Boston	68	58	bc
Berlin	62	42	bc	Manila	82	72	bc	Chicago	68	58	bc
Bombay	82	72	bc	New Delhi	82	72	bc	Denver	68	58	bc
Buenos Aires	68	48	bc	Singapore	82	72	bc	Detroit	68	58	bc
Calcutta	82	72	bc	Tokyo	82	72	bc	Houston	68	58	bc
Canton	82	72	bc					Los Angeles	68	58	bc
Cebu	82	72	bc					Minneapolis	68	58	bc
Colombo	82	72	bc					New York	68	58	bc
Delhi	82	72	bc					San Francisco	68	58	bc
Guwahati	82	72	bc					Seattle	68	58	bc
Harbin	68	48	bc					Tampa	68	58	bc
Hong Kong	82	72	bc					Washington	68	58	bc
Kobe	82	72	bc					Yonkers	68	58	bc
London	62	42	bc								
Los Angeles	68	58	bc								
Madras	82	72	bc								
Manila	82	72	bc								
Medan	82	72	bc								
Mumbai	82	72	bc								
Osaka	68	48	bc								
Paris	62	42	bc								
Perth	68	48	bc								
Rangoon	82	72	bc								
San Francisco	68	58	bc								
Seoul	68	48	bc								
Singapore	82	72	bc								
Sydney	68	48	bc								

PEANUTS

I CAN'T BELIEVE THAT I ACTUALLY MISS BEING IN SCHOOL...

I KNOW WHAT YOU MEAN, OF COURSE IF WE WERE IN SCHOOL RIGHT NOW, YOU'D PROBABLY BE ASLEEP...

6-20

BLONDIE

BLUPFF-PUFF AT LEAST THERE'S ONE CONSOLATION

MORNING ONLY COMES ONCE A DAY

6-20

BEEBLE BAILEY

WHAT A MESS! I CAN'T STAND DISORDER!

LINE UP YOU GUYS! OVER THERE, YOU! NOW STRAIGHTEN UP!

THAT'S BETTER!

BOY! LINING UP GREEN BEANS!

6-20

DOONESBURY

HEH HEH. DAMN MY GOD! WHAT ARE YOU DOING OFF?

ANNISTY THE RESIDENT RECALLED AN ANNISTY FOR ALL THOSE CONVICTED OF BURGLARY. FORMERLY HE'S THE OLD MAN! I'D A PEE!

ANNISTY THAT'S RIGHT.

BUT THAT'S THAT'S OUT-RAREOUS!

CRUEL. THAT'S A MURDER NOW.

6-20

FRIDAY'S PUZZLE

WHEELS

1 Across: 10 letters

2 Down: 10 letters

3 Across: 10 letters

4 Down: 10 letters

5 Across: 10 letters

6 Down: 10 letters

7 Across: 10 letters

8 Down: 10 letters

9 Across: 10 letters

10 Down: 10 letters

11 Across: 10 letters

12 Down: 10 letters

13 Across: 10 letters

14 Down: 10 letters

15 Across: 10 letters

16 Down: 10 letters

17 Across: 10 letters

18 Down: 10 letters

19 Across: 10 letters

20 Down: 10 letters

21 Across: 10 letters

22 Down: 10 letters

23 Across: 10 letters

24 Down: 10 letters

25 Across: 10 letters

26 Down: 10 letters

27 Across: 10 letters

28 Down: 10 letters

29 Across: 10 letters

30 Down: 10 letters

31 Across: 10 letters

32 Down: 10 letters

33 Across: 10 letters

34 Down: 10 letters

35 Across: 10 letters

36 Down: 10 letters

37 Across: 10 letters

38 Down: 10 letters

39 Across: 10 letters

40 Down: 10 letters

41 Across: 10 letters

42 Down: 10 letters

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47 Across: 10 letters

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55 Across: 10 letters

56 Down: 10 letters

57 Across: 10 letters

58 Down: 10 letters

59 Across: 10 letters

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61 Across: 10 letters

62 Down: 10 letters

63 Across: 10 letters

64 Down: 10 letters

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89 Across: 10 letters

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91 Across: 10 letters

92 Down: 10 letters

93 Across: 10 letters

94 Down: 10 letters

95 Across: 10 letters

96 Down: 10 letters

97 Across: 10 letters

98 Down: 10 letters

99 Across: 10 letters

100 Down: 10 letters

ANDY CAPP

WHAT A GAME GET!

I'M NOT INTERESTED, NO MORE THAN YOU WERE WHEN I WAS TELLING YOU ABOUT MUM'S LOGGER AND THE WIDOW NEXT DOOR.

WHAT ABOUT MY TEAP?

GET IT YOURSELF!

THEY'LL FORGIVE PRACTICALLY ANYTHING TO BACK UP HIS OWN BUSINESS.

6-20

WIZARD of ID

BLANCH IS VERY DEPRESSED!

WHAT'S WRONG?

SHE ENTERED A COOK-OFF AND LOST TO A HOSPITAL CATERER.

6-20

REX MORGAN

AFTER HIS DAUGHTER LINDA AND ERIC LEAVE HIS HOSPITAL ROOM, JORN BALLARD CALLS HIS WIFE!

THAT'S RIGHT, SARA, THEY AS MUCH AS TOLD ME TO MIND MY OWN BUSINESS, THAT THEY'VE DECIDED TO PUT OFF THEIR MARRIAGE FOR A YEAR?

AS I SAID THEY'RE ON THEIR WAY OVER TO SEE YOU? I WISH YOU'D KNOCK SOME SENSE INTO LINDA'S HEAD!

6-20

GARFIELD

TEN?! WHY YOU DON'T LOOK TEN!

YOU LOOK...

YOU LOOK LIKE YOU'RE TRYING TO CONVINCE YOURSELF THAT YOU DON'T LOOK TEN.

6-20

WORD SEARCH

ACROSS

1. SCARS

2. PASHA

3. LAME

4. PLEASANT

5. KAY

6. TESSERA

7. AIL

8. OTE

9. STEPS

10. RUSTIC

11. CRICKET

12. CRICKETER

13. ALPH

14. OEN

15. ALLEN

16. NITPICKED

17. LARA

18. ELLEN

19. ELICIT

20. STEREO

21. SAXON

22. ARM

23. TUG

24. DANGLES

25. YAPS

26. DOUBLEBUGS

27. SITE

28. EGRET

29. BRAT

30. ONYX

31. DOERS

32. BELLS

Handwritten signature or scribble.

MONDAY SPORTS

Strange Leads Open by 1

By Gordon S. White Jr.
New York Times Service
BROOKLINE, Massachusetts — Curtis Strange, whose five victories in the last year have given him the best current record in professional golf, made a move Saturday toward winning one of the sport's major tournaments, the 88th U.S. Open.



Curtis Strange: "I feel good."

and Tommy Nakajima of Japan, were tied for 23d with 215 each. Greg Norman, the 33-year-old Australian ranked one of the two or three best golfers in the world, had to withdraw Friday when he sprained his left wrist. He said that he probably would be able to play in the next major championship, the British Open, July 14-17, but that he has been ordered by doctors to wait 10 days before hitting a golf shot again. Meanwhile, he was to keep his wrist as immobile as possible using a sling and brace.

Indians' Candiotti, Allanson Rout Yanks

The Associated Press
CLEVELAND — Andy Allanson's first grand slam home run in league play and Tom Candiotti's six-hit Sunday performance in Cleveland's 11-3 rout of the New York Yankees, 11-3.

SUNDAY BASEBALL

CLEVELAND — The Indians scored just two runs in each of five losses in his stretch. In the fifth inning, Candiotti's run-scoring single and a bases-loaded wild pitch by reliever Tim Lincecum walked five of the eight batters.



In the third inning Saturday in Cleveland, New York's Rickey Henderson went high to rob Joe Carter of a home run, left; two innings later Henderson went low to avoid the sweeping tag of catcher Andy Allanson. The Yankees defeated the Indians by 6-3.

Maddux Wins No. 12 by 5-Hitting Expos

Compiled by Our Staff From Dispatches
CHICAGO — Greg Maddux, the 22-year-old called "Baby" by Chicago Cubs teammates because of his boyish looks, Saturday became the major league's first 12-game winner of the year with a five-hit, 3-0 victory over the Montreal Expos.

SATURDAY BASEBALL

CHICAGO — The Cubs' manager, Don Zimmer, "They all know what he's done. It's not a matter of luck. This guy's just pitched great."

SCOREBOARD

BASEBALL

Today's and Saturday's Major League Line Scores

Table with columns for American League and National League, listing teams and scores.

GOLF

U.S. Open

Table listing golfers and their scores in the U.S. Open.

Wimbledon, as Usual, All Set to Wow 'Em

By John Feinstein
Washington Post Service
LONDON — There's a musical playing here called "Winnie," about Churchill's first two years as Prime Minister at the outset of World War II.

Judge Rules Impasse In NFL Labor Talks

By Thomas George
New York Times Service
MINNEAPOLIS — A federal judge ruled Friday that the National Football League's management and its players are at an impasse in labor negotiations. The decision left open the possibility of unrestricted free agency for more than 300 players whose contracts expired in February.

TENNIS

Table listing tennis tournaments and winners.

TRANSITION

Table listing baseball players and their statistics.

SOCCER

European Championship

Table listing soccer teams and their performance in the European Championship.

